Alberta

PETROLEUM MARKETING COMMISSION

403/262-8808
Telex: 03-821978
1900, 250 - 6th Avenue S.W.
Calgary, Alberta, Canada
T2P 3H7

August 31, 1983

INFORMATION BULLETIN RE ALBERTA COST OF SERVICE

The Alberta Cost of Service Information Bulletin for the month of July, 1983 is attached.

The Information Bulletin consists of:

1. Copies of any special Orders or Determinations issued by the Commission during the month with respect to Alberta Cost of Service, and notice of any Statements of Objection which have been received during the month; and

2. Alberta Cost of Service Determinations for the month.

In the case of gas intended to be removed from Alberta, the cost of service determined under Section 11(1), 15(3)(a) and 15(5)(b)(i) of the Natural Gas Pricing Agreement Act for each month is based on estimated figures for that month, adjusted to allow for differences between the estimated and actual figures for the previous month.

In the case of gas intended for consumption within Alberta, the amount estimated as cost of service under Sections 11(2)(a)(ii) and 15(3)(b)(i) of the Act were made under the Commission's general directive for the Alberta cost of service.

All determinations are on gross or higher heating value on a dry basis at 15°C and an absolute pressure of 101.325 kPa (kilopascal).

Yours very truly,

ALBERTA PETROLEUM MARKETING COMMISSION

R D Hall

R. D. Hall
Vice-Chairman

Attachment

INFORMATION BULLETIN
ALBERTA COST OF SERVICE DETERMINATION
PURSUANT TO THE NATURAL GAS PRICING AGREEMENT ACT
MONTH OF JULY, 1983

Section 15(3)(a)	Cents Per Gigajoule (GJ)*
Alberta and Southern Gas Co. Ltd.	
- signatory	42.359
- non-signatory	44.453
Canadian Montana Pipe Line Company	68.371
Canadian Montana Gas Company Limited	68.357
Consolidated Natural Gas Limited	52.450
Many Islands Pipe Line (Canada) Limited	
- Purchased Gas	23.704
- North Sibbald (Agent)	9.281
- Saddle Lake	39.612
- Esther	8.019
Pan-Alberta Gas Ltd.	
- Basic	44.265
- Delivery Points - Lovet Creek	45.688
- Blue Jay	65.996
- Chinchaga North	55.002
- House	56.316
Progas Limited	44.627
Sulpetro Limited	32.822
TransCanada PipeLines Limited	
- Average(1)	74.252
- Category A	74.736
- Category B	74.857
- Category D	39.054
- Category E	53.863
Westcoast Transmission Company	
- Husky Oil Ltd.	39.403
- Petrogas Processing Ltd. et al	38.042
Westcoast Transmission Company (Alberta) Limited	
- North	56.318
- Triassic E	.474

Section 15(3)(b)	27.000

.../2

Notes

* Calculated on a gross and dry heating value basis at 101.325 kpa (kilopascal) and $15^{o}C$.

Notice

The price adjustment for gas is $0.49/GJ
The Alberta Border Price is $2.400 65/GJ

(1) For purposes of sales within Alberta

NOTICE

The Alberta Petroleum Marketing Commission hereby advises that, effective August 1, 1983, an amount estimated as the Alberta cost of service with respect to gas intended for consumption within Alberta under sections 11(2)(a)(ii) and 15(3)(b)(i) of the Natural Gas Pricing Agreement Act is 0.33$/GJ.

Alberta
PETROLEUM MARKETING COMMISSION
1900, 250 - 6th Avenue S.W.
Calgary, Alberta, Canada T2P 3H7
(403) 262-8808

DETERMINATION 83-06 (TCP)
ALBERTA COST OF SERVICE
NATURAL GAS PRICING AGREEMENT ACT

APPLICATION

By application dated April 28, 1983 as amended by letters of May 19, 1983 and June 3, 1983, TransCanada PipeLines Limited (TransCanada) requests that certain gas purchase contracts be approved by the Commission for inclusion in Category D of TransCanada's Alberta cost of service. The application as amended is attached as Appendix "A".

DECISION

1. The gas purchase contracts in Groups 1 to 8 are denied inclusion in Category D of Alberta cost of service.

2. Gas purchase contracts in Categories B and C under which gas deliveries in excess of prorata market share are made are not eligible for inclusion in Category D upon repayment of take or pay advances unless so ordered by the Commission upon subsequent application by TransCanada.

REASONS

Over the past five years prior to the Topgas program, take or pay financing costs were assessed equally against all gas purchased by TransCanada. One of the main reasons for equal assessment was that under market conditions resulting in take or pay payments any gas delivered contributed in some part to the take or pay burden.

The Topgas program substantially altered TransCanada's take or pay obligations to the Topgas participants, and the costs and method of financing those obligations. The Commission viewed the resulting divergence between take or pay rights and obligations of Topgas participants and nonparticipants together with the additional payments received by the participants under the Topgas program as factors warranting the decision in Determination 82-14 (TCP) to accept TransCanada's proposal for a multi-tiered Alberta cost of service for take or pay financing costs.

Without multi-tier categorization all gas would be assessed the same unit charge for take or pay financing costs regardless of the amount of take or pay payments received under individual gas purchase contracts. The principle of equal assessment of take or pay financing costs against gas delivered under gas purchase contracts in the same category is maintained in multi-tier categorization.

Category D was established for Topgas participants for the limited purpose of inducing a voluntary reduction in the amount of take or pay payments outstanding under Categories B and C contracts after the implementation date of the Topgas program. Therefore, since none of the contracts described in Groups 1 to 8 involve repayment of take or pay payments after October 5, 1982 they are not eligible for inclusion in Category D and the Commission does not consider it appropriate to extend the limits of eligibility for Category D.

In the application TransCanada further requests that gas purchase contracts under which accelerated recovery of take or pay gas occurs through deliveries above the prorata market share remain in Category B after recovery is completed for the number of years that accelerated recovery takes place. This method of recovery may increase the cost of take or pay obligations incurred under other gas purchase contracts and therefore the Commission wishes to examine the circumstances of the accelerated recovery before ruling on the eligibility of individual contracts for Category D.

DATED THIS 24th day of August, 1983 at Calgary, Alberta.

D. C. Hetland
Secretary and Solicitor

APPENDIX "A"

PROVINCE OF ALBERTA

ALBERTA PETROLEUM MARKETING COMMISSION

APPLICATION FOR APPROVAL OF

SPECIFIED GAS PURCHASE CONTRACTS TO BE INCLUDED IN

CATEGORY D OF TRANSCANADA'S ALBERTA COST OF SERVICE

I. Request

TransCanada PipeLines Limited ("TransCanada") requests that the Alberta Petroleum Marketing Commission ("the Commission") determine that the gas purchase contracts listed in the Schedule "A" attached hereto be approved for inclusion in Category D of TransCanada's Alberta cost of service.

II. Multi-tiered Alberta Cost of Service

Pursuant to an application by TransCanada dated June 18, 1982 the Commission by Determination 82-07 (TCP) approved for inclusion in TransCanada's Alberta cost of service the costs of a program referred to as the "Topgas Program" to finance take or pay payments.

By an application dated July 30, 1982 TransCanada requested that the Commission establish separate categories of Alberta cost of service in order to apportion Topgas interest costs in respect of

take or pay among gas purchase contracts. The Commission, by Determination 82-10 (TCP) dated September 27, 1982 granted the application which resulted in the following categories of Alberta cost of service being established:

Category A - to consist of solution gas contracts

Category B - to consist of those contracts amended by the Topgas program where the producers executed the Topgas Agreement

Category C - to consist of those contracts amended by the Topgas program where the producers executed the Option Agreement

Category D - to consist of those contracts amended by the Topgas Agreement or the Option Agreement in respect of which the producers have returned to Topgas by October 31, 1982 all monies paid by Topgas and have waived the right of further payments by Topgas under those contracts

By separate application dated October 22, 1982 TransCanada requested Commission approval to expand TransCanada's multi-tiered Alberta cost of service as approved by Commission Determination 82-10 (TCP). The Commission by Determination 82-14 (TCP)

dated November 23, 1982 approved, inter alia, the following:

(1) Category A shall include solution gas purchase contracts and 100% load factor gas purchase contracts wherein TransCanada is obligated to take 100% of the natural gas which producers are able to deliver under such contracts and which are not allocable.

(2) Category B shall include those gas purchase contracts amended by the Topgas program where the producers have executed the Topgas Agreement only, with the addition of those gas purchase contracts amended by the Topgas Agreement under which no take or pay advances were outstanding at the end of the 1980/81 contract year and under which no take or pay advances are payable at the end of the 1981/82 contract year.

(3) Category C shall consist of those contracts amended by the Topgas program, where the producers have executed the Option Agreement, with the addition of those contracts amended by the Option Agreement under which no take or pay advances were outstanding at the end of the 1980/81 contract year and under which no take or pay advances are payable at the end of the 1981/82 contract year.

(4) Category D shall consist of those gas purchase contracts amended by the Topgas Agreement or the Option Agreement under which

producers have repaid take or pay advances in full after October 5, 1982.

(5) Category E shall consist of those gas purchase contracts of producers who are not parties to the Topgas program.

TransCanada in its said application of October 22, 1982 requested that the Commission determine that Category D of TransCanada's multi-tiered Alberta cost of service, as approved by Commission Determination 82-10 (TCP), be expanded to allow the inclusion of:

(a) those contracts amended by the Topgas Agreement, under which there ceases to be outstanding Prepaid Gas, because the producer has elected, during the period between October 31, 1982 and December 31, 1982, to return all monies previously advanced by Topgas, and to waive the right of further payment from Topgas in respect of such contracts, or, after December 30, 1982 has returned all monies advanced by Topgas which are then outstanding in respect of such contracts;

(b) those contracts amended by the Topgas Agreement under which there ceases to be outstanding Prepaid Gas because the producer has requested that an increased portion of that

producer's allocated share of the market under the Topgas Program be deemed to be recovery of Prepaid Gas;

(c) those contracts amended by the Topgas Agreement and subject to the allocation of TransCanada's markets which, from the outset of the Topgas Program, will have no Prepaid Gas;

(d) when applicable, those contracts amended by the Topgas Agreement have not commenced deliveries of gas as at the end of the 1981/82 contract year, but will commence delivery during the period of the Topgas program."

The Commission Determination 82-14 (TCP) approved the request of TransCanada relative to paragraph (a) and paragraph (b) above, but relative to paragraph (c) and paragraph (d) above, the Commission determined that:

"6. Gas purchase contracts dated prior to May 1, 1981 under which deliveries have not commenced are denied inclusion in Category D and TransCanada shall apply for categorization of such contracts prior to commencement of gas deliveries. In addition, TransCanada shall apply for categorization of any other gas purchase contracts that do not fall within the categories defined above."

and in its Reasons for Determination stated that:

> "TransCanada has not sufficiently outlined the circumstances that would allow the Commission to conclude that contracts amended by the Topgas or Option Agreement which have no take or pay advances outstanding at the end of 1980/81 contract year and will have no advances payable at the end of 1981/82 should not bear take or pay carrying costs. For the same reason the Commission has denied TransCanada's application for inclusion in Category D of contracts dated prior to May 1, 1981 that have not commenced deliveries at the end of the 1981/82 contract year and therefore TransCanada shall, prior to commencement of deliveries under these contracts, submit a further application for categorization."

III. Introductory

(a) Higher of Concept

Under its gas purchase contracts, TransCanada is obligated to request gas and the Seller's obligation is to deliver in response to such request. The "Higher Of" concept has its derivation from the gas purchase contract as amended by the Allocation Agreement (as defined in the Topgas Agreement) wherein, the requirement of TransCanada, to satisfy its contract obligation, that is to take or pay for a minimum

annual quantity of gas, or to take or pay for all gas delivered on a specified number of days, is satisfied by the higher of, the quantity of gas (or the number of days) delivered by the Seller and the actual quantity of gas requested (or the number of days gas is requested). In other words, a request for gas is as good as a take of gas delivered, in calculating the satisfaction of the contract obligation of TransCanada. The higher of concept is used to recover outstanding take or pay gas in that as soon as the contract obligation is satisfied, any gas delivered in response to a request is considered as recovery of take or pay gas, and a request for gas not responded to is treated as an account receivable.

(b) Recovery Agreements

TransCanada, in furtherence of the prudent administration of the Allocation Agreement, with the concurrence of the producer involved, implemented recovery agreements which accelerated the recovery of outstanding take or pay gas. These recovery agreements were arranged for various considerations. In situations which involved conservation of gas reserves, arrangements were made to modify the allocation provisions and continue taking gas at rates which ensured conservation and recovery of take or pay gas. There were situations where TransCanada and its producer realized that

the reserves under a gas purchase contract might be subject to depletion prior to the recovery of take or pay gas and accordingly the parties agreed to arrangements which accelerated recovery of take or pay gas. Inasmuch as the cost of take or pay gas is borne by the producers, it is incumbent upon TransCanada to ensure that take or pay gas is recovered.

(c) Non-availability of Gas

The majority of the "reserve" type gas purchase contracts entered into by TransCanada contain a provision ("the non-availability provision") that "Buyer shall not be required by any provision of this contract to pay for any gas not taken by it unless Seller shall have such quantities of gas available for delivery". The purpose of this provision is to ensure that take or pay payments would not be made when the producer did not have gas available.

(d) Prior Allocation Program

It is important to note that under the provisions of the Allocation Agreement, recovery of take or pay gas could be effected in a contract year only after the current year's contract obligation had been satisfied. The contractual recovery provisions relating to contract flexibility (i.e.,

the relationship between contract maximum and minimum quantity) had a major bearing on TransCanada's decision as to where it should prudently incur take or pay gas. It was less risky to incur under contracts which gave the greatest amount of contract flexibility and hence greater ease of recovery. It was always envisioned that contracts operated under the Allocation Agreement would be requested to deliver at capability sometime in the future to effect full recovery of take or pay gas. Contracts under which recovery was being effected during the past number of years may in fact have had an unallocated share of the market but it must be appreciated that all contracts would eventually be similarly treated and any advantage was simply one of timing.

The recovery mechanics under the Topgas Program differ substantially in that recovery of take or pay gas takes place from the first deliveries in a contract year and is the same for all contracts irrespective of the individual contract terms.

Consequently TransCanada submits that Category D of TransCanada's multi-tiered cost of service should include the groups of contracts which are presently exempted due to past operating procedures dictated by prior allocation requirements and reliance on recovery of take or pay gas.

IV. Proposed Inclusion in Category D

There are certain gas purchase contracts, amended by the Topgas Agreement and which will only deliver an allocated share of TransCanada's available market, which did not have associated take or pay advances outstanding at the end of the 1980/81 contract year and no advances were paid by Topgas for the 1981/82 contract year. TransCanada has examined the background relating to these certain gas purchase contracts and outlined below are the circumstances that would allow the Commission to conclude that these contracts should not bear take or pay interest costs associated with the Topgas program. These contracts have been divided into groups, and the circumstances set forth for each group are applicable to each of the contracts in that group.

(a) Group 1

- There was no outstanding take or pay as of October 5, 1982
- Any take or pay outstanding at the end of the 1980/81 contract year was recovered under a "recovery agreement" prior to October 5, 1982, or was recovered under the "higher of" concept
- There was no take or pay incurred in the 1981/82 contract year because the contract obligation was satisfied by "higher of"

- The request for delivery of gas was greater than the allocated share of the market for the particular contract but the delivery of gas was not greater than the allocated share of the market for that contract.

(b) Group 2

- There was no outstanding take or pay as of October 5, 1982
- Any take or Pay outstanding at the end of the 1980/81 contract year was recovered under a "recovery agreement" prior to October 5, 1982, or was recovered under the "higher of concept"
- There was no take or pay incurred in the 1981/82 contract year because the contract obligation was satisfied by "higher of"
- The request for delivery of gas was greater than the allocated share of the market for each particular contract, and the delivery of gas was greater than the allocated share of the market for that contract. In these cases further incurment, of take or pay was considered to be too risky.

(c) Group 3

- There was no outstanding take or pay as of October 5, 1982

- Any take or pay outstanding from a prior contract year was recovered in a subsequent contract year under the higher of concept and/or take or pay was incurred in subsequent contract years but payment was not made due to the non-availability provision.
- The request for delivery of gas was greater than the allocated share of the market for each particular contract but the delivery of gas was not greater than the allocated share of the market for each such contract.

(d) Group 4

- There was no outstanding take or pay as of October 5, 1982
- The request for delivery of gas may have been greater than the allocated share of the market for each particular contract but the delivery of gas was not greater than the allocated share of the market for each of such contracts, and in fact in many cases there was no delivery.

(e) Group 5

- There was no outstanding take or pay as of October 5, 1982

- Take or pay was incurred in the 1981/82 contract year but payment was not made due to the non-availability provision
- The request for delivery of gas was not greater than the allocated share of the market for each particular contract and delivery was not greater than the allocated share of the market for each of such contracts.

(f) Group 6

- There was no outstanding take or pay as of October 5, 1982
- The contracts commenced initial delivery after May 1, 1982 but before May 1, 1983
- There was no outstanding take or pay as of October 5, 1982
- Whether a prepayment obligation would exist cannot be determined until the end of the first contract year (November 1, 1983).

(g) Group 7

- There was no outstanding take or pay as of October 5, 1982
- The contracts commenced initial delivery during the 1981/82 contract year but before May 1, 1982

- The contracts in this group came on stream on April 6 and April 28 which resulted in the first contract year consisting of six months and a few days
- The request for delivery of gas was greater than the allocated share of the market for each particular contract. TransCanada's normal mode of operation is to nominate contract maximum for a number of months to determine gas availability and to allow the operator to overcome start-up problems
- The delivery of gas proved to be higher than the allocated share of the market.

FUTURE RECOVERY UNDER THE TOPGAS PROGRAM

Recovery of take or pay gas under the Topgas Program commences in the 1984-85 contract year and occurs during the first four months of each contract year. This recovery is based on a stipulated percentage of the take or pay gas outstanding under each contract. Recovery under the Topgas Program may also occur as a result of paragraphs 19 and 20 of the Topgas Agreement. Paragraphs 19 and 20 are utilized when it is determined that recovery cannot be achieved as contemplated by the regular recovery provisions of the Topgas Agreement.

TransCanada has the responsibility of monitoring each contract to ensure that recovery can be effected under the Topgas Agreement. In this regard TransCanada will monitor the contracts according to the following risk criteria:

(1) Deliverability declines to zero prior to 1994.

(2) Deliverability declines by more than 15% in any contract year.

(3) The ratio of outstanding prepaid to remaining reserves exceeds 20% in any year.

(4) The recovery of prepaid gas (at 10% of the outstanding prepaid per year) under Topgas exceeds 20% of the contract's net cash flow in any year.

Contracts which fail to meet any of these criteria may be served a notice under paragraph 19, advising that arrangements must be made to go into accelerated recovery. Accelerated recovery is arranged to provide that a portion of future deliveries will be offset against the take or pay outstanding under any contract. These particular arrangements usually fall into two generic groupings:

(i) Those in which a portion of future deliveries may be taken out of the allocated share of the market apportioned to the contract.

(ii) Those in which the portion of future deliveries cannot be taken out of the contract's allocated share of the market because the impact on the producers cash flow could be such as to make production uneconomic.

In the case of contracts included into group (i), it is submitted that such contracts may be included in Catoregy D of TransCanada's Alberta cost of service as soon as recovery has taken place.

In the case of contracts included in group (ii), it is submitted that the following philosophy should apply:

(1) The contract should have more than its prorata market share.

(2) The contract should not have an increased overall cash flow advantage over those in allocation because of the increased market share.

(3) That because of the increased production, the contract should remain in Category B of TransCanada's Alberta cost of service for a period of time after recovery is completed, before being included in Category D.

It is submitted that the following procedure be applicable:

TransCanada would recover, each year until all take or pay gas is recovered, a portion of the deliveries under the contract, as dictated by Risk Analysis No. 3;

The contract should be allocated its market allowable % take plus 50% of the % deliveries required as determined by Risk Analysis criteria No. 3;

The contract should remain in Category B after recovery is completed for the number of years that the acceleration agreement was in effect. Minimum time in Category B is one year.

The advantage of this proposal is that it recognizes the fact that inequities may have to occur during the recovery period and it avoids the necessity of forcing a producer to produce uneconomically. It also recognizes that there should be a penalty associated with inequitable market share and at the same time it does not force a producer under a contract to pay Topgas interest charges for a period of time which might be punitive. The proposal also encourages producers with contracts in this category to repay the outstanding take or pay gas as quickly as possible, thus lowering the risk of forfeiture of take or pay gas.

CONCLUSION

TransCanada submits that the foregoing demonstrates that the gas purchase contracts listed in the Schedule "A" hereto should not bear take or pay interest costs associated with the Topgas program and as such be approved for inclusion in Category D of TransCanada's Alberta cost of service.

TransCanada submits that the procedure outlined for the future recovery of take or pay gas is appropriate and that the contracts involved be treated as recommended for inclusion in Category D of TransCanada's Alberta cost of service.

DATED at the City of Calgary, in the Province of Alberta, this 28th day of April, A.D. 1983.

All of which is respectfully submitted,

TRANSCANADA PIPELINES LIMITED

By E.W.H. Mallabone

Communication related to this
Application should be directed to:

TransCanada PipeLines Limited
407 - 8th Avenue S.W.
P.O. Box 500
Calgary, Alberta
T2P 2M7

Attention: E.W.H. Mallabone
Manager, Legal

SCHEDULE A - GROUP 1

CONTRACT NO.	SELLER	ET AL	CONTRACT DATE
00862	PanCanadian Petroleum Ltd.		1968-12-02
01627	Resman Holdings Ltd.	Canadian Western Natural Gas Co. Ltd.	1975-12-12
00969	Anadarko Petroleum of Canada Ltd.	Chevron Standard Ltd. Musketeer Energy Ltd.	1970-05-25
01600	Mainline Resources Ltd.		1975-10-09
01595	Sousa PipeLine Company Ltd.	Waymor Holdings Ltd. Scotia Oil Limited Moose Mountain Resources Ltd. Tri-L Flight Service Ltd. Victor Blasco Barry J. McDonald Donald W.R. McDonald Graham H. Gammell	1975-10-02
01449	ANR Production Co.	Tricentrol Oils Limited Pan Northern Petroleum Limited	1974-12-13
01513	Petro-Canada Exploration Inc.		1975-04-
01825	Musketeer Energy Ltd.		1976-06-21
01871	Petroquest Ltd.		1976-08-13
01674	PanCanadian Petroleum Ltd.		1976-03-03
01909	Gulf Canada Resources Inc.		1976-09-23
01435	Canadian Superior Oil Ltd.		1974-11-06
01820	Petro-Canada Exploration Inc.		1976-06-16
01619	Gulf Canada Resources Inc.		1975-11-28
01824	BP Exploration Canada Ltd.		1976-06-21
01826	Plains Petroleum Ltd.		1976-06-21
01748	Lacana Petroleum Ltd.	North American Life Assurance Co. NLC Oil & Gas Ltd.	1976-04-14
01544	Cardo Canada Ltd.	Dome Petroleum Ltd. T.C. Simmons Maligne Resources Ltd. Bonanza Oil & Gas Ltd.	1975-07-11
01682	Western Decalta Petroleum (1977) Ltd.	Petrol Oil & Gas Co. Ltd. Jasper Oils Ltd.	1976-03-10
01900	Sulpetro Limited		1976-09-03
00882	Dome Petroleum Ltd.		1969-05-0
00699	Suncor Inc.		1965-12-17

SCHEDULE A - GROUP 1

CONTRACT NO.	SELLER	ET AL	CONTRACT DATE
01075	Musketeer Energy Ltd.		1971-07-30
01603	Numac Oil & Gas Ltd.	Samedan Oil of Canada Inc. Cooperative Energy Development Corp.	1975-10-22
01291	Dome Petroleum Ltd.		1974-06-04
01594	Pennzoil Petroleum Ltd.	Barcelona Operating Co. Medina Exploration Co. Ltd.	1975-10-01
01969	American Eagle Petroleums Ltd.	Oakwood Petroleums Ltd. Conventures Limited Atcor Resources Ltd. Beaver Oil & Gas Ltd.	1976-11-03

Total estimated production for 1982-83 contract year based on market allocation for Group 1 contracts is 31 068.5 10^3m^3

SCHEDULE A - GROUP 2

CONTRACT NO.	SELLER	ET AL	CONTRACT DATE
01547	Altana Exploration Co.	Hudson's Bay Oil & Gas Co. Ltd. Petro-Canada Enterprises Inc. Lincoln-McKay Development Co. Ltd. Dome Petroleum Limited Barlow Development Limited Canterra Energy Limited Sulpetro Limited Lacana Petroleum Limited	1975-07-15
01326	General American Oils, Ltd.	Canadian Reserve Oil & Gas Ltd. Petro-Canada Exploration Inc.	1974-07-17
01506	Energas Limited		1975-04-15

Total estimated production for 1982-83 contract year based on market allocation for Group 2 contracts is 24 217.0 10^3m^3

SCHEDULE A - GROUP 3

CONTRACT NO.	SELLER	ET AL	CONTRACT DATE
00561	Provo Gas Producers Ltd.		1965-09-17
01653	Dome Petroleum Ltd.		1976-02-04
01056	Cooperative Energy Development Corp.		1971-05-27
01147	Hudson's Bay Oil & Gas Co. Ltd.		1973-03-15
01831	Southland Royalty Co.		1976-07-06
00731	Canadian Propane Gas & Oil of Alberta Ltd.		1966-08-17
00691	Chevron Standard Ltd.		1965-12-15
00669	Gulf Canada Resources Inc.		1965-11-01
02224	Dyco Petroleum Corp.		1978-10-12
00864	Suncor Inc.		1969-01-03
00661	Anadarko Petroleum of Canada Ltd.		1965-10-26
01304	Suncor Inc.		1974-06-15
01948	Ridgewood Resources Ltd.		1976-10-25
02250	Quest Engineering Services Ltd.		1979-10-04
02242	Sceptre Oils Ltd.	PanCanadian Petroleum Ltd.	1979-07-13
01815	Koch Exploration Canada Ltd.		1976-06-08
01822	Canadian Superior Oil Ltd.		1976-06-17
01545	Turbo Resources Limited	Pangaea Petroleum Limited	1975-07-11
01937	Amoco Canada Petroleum Co. Ltd.		1976-10-13
01861	Scurry-Rainbow Oil Ltd.		1976-08-06
01862	Norcen Energy Resources Ltd.		1976-08-06
01863	Dome Petroleum Limited		1976-08-06

Total estimated production for 1982-83 contract year based on market allocation for Group 3 contracts is 5 625.7 10^3m^3

SCHEDULE A - GROUP 4

CONTRACT NO.	SELLER	ET AL	CONTRACT DATE
02094	Resman Holdings Ltd.	Pethelen Resources (1973) Ltd. Dash Exploration Ltd.	1977-09-07
00682	Gulf Canada Resources Inc.		1965-11-17
01281	Dome Petroleum Ltd.	Sulpetro Limited	1974-06-03
01282	LL & E Canada Ltd.		1974-06-03
02012	Amerada Minerals Corp. of Canada Ltd.		1977-05-19
00903	Norcen Energy Resources Ltd.		1969-08-05
00901	Murphy Oil Company Ltd.		1969-08-05
00902	PanCanadian Petroleum Ltd.		1969-08-05
01543	Cavalier Energy Limited		1975-07-09
01523	BlueSky Oil & Gas Limited	Caribou Mineral Resources Ltd. Howard Resources Ltd. Highland Resources, Inc. Petromark Minerals Ltd. Brinco Oil & Gas Ltd.	1975-06-11

Total estimated production for 1982-83 contract year based on market allocation for Group 4 contracts is 13 008.0 10^3m^3

SCHEDULE A - GROUP 5

CONTRACT NO.	SELLER	ET AL	CONTRACT DATE
01885	Dyco Petroleum Corporation		1976-08-20
02129	Carlyle Eagle Petroleum Ltd.		1977-09-07
01059	PanCanadian Petroleum Ltd.	Consol Petroleums Ltd. Zoller & Danneberg Oil, Ltd.	1971-05-31
01323	Musketeer Energy Ltd.		1974-07-16
01793	Sulpetro Limited		1976-05-31

Total estimated production for 1982-83 contract year based on market allocation for Group 5 contracts is 1 000.0 10^3m^3

SCHEDULE A - GROUP 6

CONTRACT NO.	SELLER	ET AL	CONTRACT DATE
01201	Home Oil Co. Ltd.		1973-12-01
02036	Hunt Oil Co.	Inter-Rock Oil Co. of Canada Limited	1977-06-17

Total estimated production for 1982-83 contract year based on market allocation for Group 6 contracts is 11 126.0 10^3m^3

SCHEDULE A - GROUP 7

CONTRACT NO.	SELLER	ET AL	CONTRACT DATE
00565	Canada-Cities Services Ltd.		1965-09-20
02104	Ranger Oil Limited		1977-09-07

Total estimated production for 1982-83 contract year based on market allocation for Group 7 contracts is 13 607.0 10^3m^3

P.O. BOX 500 407 EIGHTH AVENUE S.W., CALGARY, CANADA, T2P 2M7
(403) 269-5611

May 19, 1983

Alberta Petroleum Marketing
Commission
1900 Bow Valley Square IV
250 - 6th Avenue S. W.
Calgary, Alberta
T2P 3H7

Attention: Mr. Don Hetland

Dear Sir:

Re: Application for Approval of Specified gas purchase contracts to be included in Category D of TransCanada's Alberta cost of service.

Enclosed are three copies of a revised Schedule A - Group 6 which we would ask that you include in the above application in substitution for the Schedule A - Group 6 included in the application made on April 28, 1983.

Yours very truly

E.W.H. Mallabone
Manager, Legal
EWHM:ed
Encls.

SCHEDULE A - GROUP 6

CONTRACT NO.	SELLER	ET AL	CONTRACT DATE
01201	Home Oil Co. Ltd.		1973-12-01
01475	Westcoast Petroleum Limited		1975-02-07
02036	Hunt Oil Co.	Inter-Rock Oil Co. of Canada Limited	1977-06-17

Total estimated production for 1982-83 contract year based on market allocation for Group 6 contracts is 23 620.4 10^3m^3

P.O. BOX 500 407 EIGHTH AVENUE S.W., CALGARY, CANADA T2P 2M7
(403) 269-5611

June 3, 1983

Alberta Petroleum Marketing
Commission
1900 Bow Valley Square IV
250 - 6th Avenue S. W.
Calgary, Alberta
T2P 3H7

Attention: Mr. Don Hetland

Dear Sir:

Re: Application for Approval of Specified Gas Purchase Contracts to be included in Category D of TransCanada's Alberta Cost of Service.

Enclosed are three copies of an amendment to the above application. This amendment provides for an additional Group 8 to be added to the seven groups set forth in Section IV of the application.

Yours very truly

E.W.H. Mallabone
Manager, Legal
EWHM:ed
Encls.

(b) Group 8

- This contract has not been amended by the Topgas Agreement and no Topgas payment was made thereunder.
- This contract is a break-out from another contract which is amended by the Topgas Agreement and produced the result of reducing a future obligation to take more gas.
- This contract contains no provision for any take or pay payments to be made.
- This contract by its own terms is allocable in the same manner as all other contracts which are amended by the Topgas Agreement.

SCHEDULE A - GROUP 8

CONTRACT NO.	SELLER	ET AL	CONTRACT DATE
02319	Poco Petroleums Ltd.	BP Exploration Canada Limited	1982-03-24

Total estimated production for 1982-83 contract year based on market allocation for Group 8 contracts is 17 000.0 10^3m^3

DETERMINATION 83-07(A&S)
ALBERTA COST OF SERVICE
NATURAL GAS PRICING AGREEMENT ACT

By application dated June 30, 1983 as amended by letter of August 18, 1983, Alberta and Southern Gas Co. Ltd. (A&S) requests approval to include in its monthly Alberta cost of service, carrying costs related to financing take or pay payments on an estimated 56 Bcf of gas for the 1982/83 contract year; the establishment of a multi-tiered Alberta cost of service; and the inclusion in Alberta cost of service of the unrecoverable portion of a take or pay payment. The application, as amended, is attached as Appendix "A".

DECISION

1. Carrying costs of separate and identifiable financing of take or pay payments made in respect of the contract year ended June 30, 1983 are appropriate for inclusion in Alberta cost of service until otherwise ordered by the Commission.

2. The multi-tiered Alberta cost of service and the proposed method of allocation of costs among the categories of gas, as applied for, is approved.

3. If, upon subsequent application, A&S demonstrates to the Commission's satisfaction that it has exercised prudent contract management, and that it cannot by continued prudent contract management obtain recovery of a take or pay payment, the Commission will allow the amount of the unrecoverable payment in Alberta cost of service. This shall apply only to gas purchase contracts as to which A&S has the right to require money repayment of take or pay payments in lieu of repayment out of gas deliveries.

4. A&S shall by August, 1984 and by August of each year thereafter, provide such information as may be required by the Commission to assess the continued necessity for A&S to maintain financing for take or pay payments and the continued prudency of contract management.

REASONS

The Commission considers that the take or pay financing costs qualify under the Natural Gas Pricing Agreement Regulation (A.R.119/82) as being "... considered just and reasonable by the Commission in respect of costs incurred by a person, whether or

not the person is the original buyer, to finance payments made to or for the benefit of a producer in respect of gas not taken by the original buyer under a gas sales contract for which the producer was nevertheless entitled to be paid."

The Commission considers that an inequity would result if producers who volunteer to receive reduced take or pay payments for a contract year were required to share the higher financing costs associated with payments made to those producers who exercise their rights to full payments. To alleviate this inequity, a multi-tiered Alberta cost of service is established.

Without multi-tier categorization all gas would be assessed the same unit charge for take or pay financing costs regardless of the amount of take or pay payments received under individual gas purchase contracts. The principle of equal assessment of take or pay financing costs against gas delivered under gas purchase contracts in the same category is maintained in multi-tier categorization. However, Category E is established for the limited purpose of inducing a further voluntary reduction in the amount of take or pay payments outstanding.

In reviewing the circumstances giving rise to A&S's take or pay payments for the contract year ended June 30, 1983, the Commission is satisfied that the situation did not result from imprudent actions of A&S. The Commission has also assessed and is satisfied there is continued necessity for A&S to maintain financing for take or pay payments made in respect of previous contract years.

DATED THIS 25th day of August, 1983 at Calgary, Alberta.

ALBERTA PETROLEUM MARKETING COMMISSION

D. C. Hetland
Secretary and Solicitor

ALBERTA AND SOUTHERN GAS CO. LTD.

PROVINCE OF ALBERTA

ALBERTA PETROLEUM MARKETING COMMISSION

Application for the Approval of an Inclusion in the Alberta Cost of Service of Carrying Costs of Take-or-Pay Payments and for the establishment of a multi-tiered Alberta Cost of Service

I. Request

In accordance with the Alberta Petroleum Marketing Commission (the "Commission") manual "Alberta Cost of Service - Pursuant to the Natural Gas Pricing Agreement Act - Responsibilities and Procedures" dated January 1, 1979 and in particular Special Applications on page 8 thereof and in accordance with the Commission manual "Alberta Cost of Service - Pursuant to the Natural Gas Price Administration Act - Responsibilities and Procedures" dated November 1, 1980 and in particular Special Applications on page 7 thereof, Alberta and Southern Gas Co. Ltd. ("Alberta and Southern") requests approval of the inclusion in its Alberta cost of service from August 1983 of the carrying costs associated with a separate and identifiable short-term financing arrangement to pay for take-or-pay liabilities for its gas purchase contract year 1982-83 as hereinafter described.

Alberta and Southern submits that the carrying costs described above are a legitimate component of the Alberta cost of service, being costs prescribed by regulation and falling within

subsection 5.1(1)(c) of the Natural Gas Pricing Agreement Regulations, as amended and subsection 5.1(1)(c) of the Natural Gas Price Administration Regulations, as amended.

Secondly, Alberta and Southern requests that the Commission establish a multi-tiered Alberta cost of service with respect to its gas, which costs of service differ only in respect of the amounts allocated to each category of gas (as hereinafter described) as carrying costs associated with the separate and identifiable short-term financing arrangement to fund the cost of take-or-pay liabilities for each such category of gas.

Thirdly, Alberta and Southern requests that if, upon application, Alberta and Southern demonstrates to the Commission's satisfaction that it has exercised prudent contract management and that it cannot by continued prudent contract management obtain full recovery of gas actually paid for but not taken during the term of its gas purchase contracts or obtain full recovery of money paid for pre-paid gas in accordance with the provisions of its gas purchase contracts, as the case may be, then the Commission allow Alberta and Southern to include in its Alberta cost of service the otherwise unrecoverable portion of such take-or-pay payments.

Commencing in February, 1981 Alberta and Southern entered into amending agreements with a number of producers providing it in the aggregate with a majority of its contracted gas supply to reduce its obligation to pay for gas not requested or taken during the period July 1, 1980 through June 30, 1982. Subsequently, Alberta and Southern and a majority of its producers

entered into further agreements to extend the period from June 30, 1982 through to June 30, 1984 during which the obligation to pay for gas not requested or taken is reduced. Under the terms of each amending agreement Alberta and Southern is required to pay for only 25% of any volumes of gas which Alberta and Southern would otherwise be obliged to pay for if the gas were available and not taken in the above-noted period.

A few producers have failed to enter into similar amending agreements with Alberta and Southern for the period July 1, 1980 through June 30, 1982, for the period July 1, 1982 through June 30, 1984 or both. As well, two producers have recently agreed to waive the obligation imposed on Alberta and Southern to make take-or-pay payments for the contract year ending June 30, 1983 and to repay the monies previously paid to them for gas not requested and taken in prior contract years.

As used in this Application the following terms have the following meanings:

(a) "take-or-pay liabilities" or "take-or-pay payments" mean respectively liabilities for payments or payments that Alberta and Southern is contractually obliged to make in the event it does not request and take, if available, stipulated minimum annual volumes of gas during a contract year;

(b) "category A gas" is gas delivered to Alberta and Southern under gas purchase contracts in respect of which take-or-pay payments may be made for the contract year ending June 30, 1983 and

in respect of which the take-or-pay payments for the contract years ending June 30, 1981, June 30, 1982 and June 30, 1983 are computed by multiplying the total volume of deficiency gas under the contract (i.e. the annual minimum volume Alberta and Southern is obliged to request and take under the contract, if available, less the volume actually requested) by the price in effect on the last day of the applicable contract year;

(c) "category B gas" is gas delivered to Alberta and Southern under gas purchase contracts in respect of which take-or-pay payments are made for the contract year ending June 30, 1983 and in respect of which the take-or-pay payments for the contract years ending June 30, 1981, June 30, 1982 and June 30, 1983 are computed by multiplying twenty-five (25%) percent of the total volume of deficiency gas under the contract by the price in effect on the last day of the applicable contract year;

(d) "category C gas" is gas delivered to Alberta and Southern under gas purchase contracts in respect of which take-or-pay payments are made for the contract year ending June 30, 1983 and

(i) in respect of which the take-or-pay payments for the contract years ending June 30, 1981 and June 30, 1982 are computed by multiplying twenty-five (25%) percent of the total volume of deficiency gas under the contract by the price in effect on the last day of the applicable contract year; and

(ii) in respect of which the take-or-pay payments for the contract year ending June 30, 1983 are computed by multiplying the total volume of deficiency gas under the contract by the price in effect on the last day of the contract year;

(e) "category D gas" is gas delivered to Alberta and Southern under gas purchase contracts in respect of which take-or-pay payments are made for the contract year ending June 30, 1983 and

(i) in respect of which the take-or-pay payments for the contract year ending June 30, 1983 are computed by multiplying twenty-five (25%) percent of the total volume of deficiency gas under the contract by the price in effect on the last day of the contract year; and

(ii) in respect of which the take-or-pay payments for the contract years ending June 30, 1981 and June 30, 1982 are computed by multiplying the total volume of deficiency gas under the contract by the price in effect on the last day of the applicable contract year; and

(f) "category E gas" is gas delivered to Alberta and Southern under gas purchase contracts in respect of which take-or-pay payments have been waived for the contract year ending June 30, 1983 and in respect of which the full amount of prior take-or-pay payments will be repaid by August 29, 1983, to Alberta and Southern.

By Determination 78-11 (A&S) dated July 7, 1978 the Commission authorized Alberta and Southern to include in its

Alberta cost of service the carrying costs on payments to be made by it which were incurred pursuant to Alberta and Southern's obligations under its gas purchase contracts during the period July 1, 1977 to June 30, 1978, the inclusion being authorized for a period of 12 months commencing the month that the payments were to be made (i.e. August 1978).

By subsequent determinations made in 1979, 1980, 1981 and 1982 the Commission authorized Alberta and Southern to include in its Alberta cost of service the carrying costs on payments to be made by it which were incurred pursuant to Alberta and Southern's obligations under its gas purchase contracts in respect of each contract year in the period beginning with July 1, 1977 and ending on June 30, 1982, each such inclusion being authorized until otherwise ordered by the Commission.

In addition, by the determinations made in 1981 and 1982 the Commission authorized Alberta and Southern to submit a separate Alberta cost of service in respect of gas purchased from producers that did not agree to reduce to 25% Alberta and Southern's obligation to pay for gas not taken.

The carrying costs which form the subject of this request consist of those to be incurred on payments expected to be made by Alberta and Southern for the contract year ending June 30, 1983. It is requested that the inclusion of these carrying costs in Alberta and Southern's Alberta cost of service be authorized until otherwise ordered by the Commission.

Update of Previous Applications

Rather than repeat the matters set out in Alberta and Southern's prior Applications for approval of an inclusion in the Alberta cost of service of carrying costs of take-or-pay payments which resulted in the issue of the previous Determinations, it is Alberta and Southern's intention to bring the prior Applications up to date by recounting significant developments since June 23, 1982, the date on which the last Application was filed. This review will generally follow the format of the prior Applications.

II. Background (since June, 1982)

(A) Gas Purchase Contracts

There have been no major changes in Alberta and Southern's gas contracting position as described in the prior Applications.

Since June 23, 1982 twenty-two new solution gas contracts were signed and three existing solution gas contracts amended with twenty-five producers involved in six gas conservation schemes (in the Edson, Joarcam, Judy Creek - two, Meekwap and Pembina fields) which will add an additional 6.8 MMcf per day to Alberta and Southern's commitments. Solution gas is purchased by Alberta and Southern from time to time in accordance with the wishes of the Alberta Energy Resources Conservation Board ("the Board") as evidenced in the policy statement of the Board dated January 24, 1979, which policy statement was annexed as Appendix "B" to Alberta and Southern's application dated June 16, 1980.

A net increase of 55.0 MMcf per day in gas purchase obligations arose out of joint reserve studies. Much of this net increase in gas purchase obligations during the 1982-83 contract year would have occurred during the previous contract year had the producers not co-operated with Alberta and Southern in delaying for a period the increases in Daily Contract Quantity. A net reduction of 7.7 MMcf per day is anticipated from solution and deliverability type gas supply following an update of the forecasts of the volumes that Alberta and Southern will be obliged to purchase during the 1982-83 contract year.

These changes in Alberta and Southern's minimum daily obligations amount to an overall net increase of daily commitment in the amount of 54.1 MMcf.

(B) Gas Sale Contracts

The gas sale contracts under which Alberta and Southern sells gas to its five major customers, namely Pacific Gas Transmission Company ("PGT"), Canadian-Montana Pipe Line Company ("Canadian-Montana"), Canadian Western Natural Gas Company Limited, Northwestern Utilities Limited and Pan-Alberta Gas Ltd. ("Pan-Alberta"), remain in place.

On March 2, 1981, Alberta and Southern and PGT amended the gas sale contract between them to permit, *inter alia*, a fifteen percent reduction of PGT's obligation to purchase gas during the period from July 1, 1980 through June 30, 1982. On June 2, 1982 the gas sale contract between Alberta and Southern and PGT was further amended to extend the period of the fifteen percent reduction in PGT's obligation to purchase gas to include

the period from July 1, 1982 to June 30, 1984. Alberta and Southern, the producers, and PGT agreed to the various amendments relating to this temporary reduction because of the present oversupply of energy in the California market, because of Alberta and Southern's concern over the growing take-or-pay advances and because of the concern expressed by U.S. regulatory agencies about take-or-pay provisions. These reasons have been elaborated on in Alberta and Southern's prior Application dated June 17, 1981 and are still relevant.

On May 11, 1981, Alberta and Southern and Canadian-Montana amended the gas sale contract between them to permit a similar fifteen percent reduction of Canadian-Montana's obligation to purchase gas during the period July 1, 1980 through June 30, 1982. On September 27, 1982 the gas sale contract between Alberta and Southern and Canadian-Montana was further amended to extend the period of the fifteen percent reduction in Canadian-Montana's obligation to purchase gas to include the period from July 1, 1982 to June 30, 1984. Alberta and Southern agreed to these amendments, which were requested by Canadian-Montana, in accordance with its policy of treating its major customers in an equitable fashion.

Notwithstanding the above, during the current contract year Canadian-Montana has failed to request and take the minimum average daily volumes required under its gas sale contract. By letter dated December 21, 1982 Canadian-Montana advised Alberta and Southern that it was invoking force majeure under the gas sale contract due to a dramatic decline in its Montana market.

Subsequently, Canadian-Montana ceased taking delivery of gas under the gas sale contract at the Cardston delivery point on May 5, 1983 and at the Empress delivery point on May 17, 1983. Alberta and Southern has advised Canadian-Montana that the decline in markets does not relieve Canadian-Montana of its obligations under the gas sale contract and has been meeting regularly with Canadian-Montana to try to find a solution to the problem.

There were no amendments to the current annual quantity commitments in the gas sale contracts with Canadian Western Natural Gas Company Limited and Northwestern Utilities Limited.

The table on page 8 of the Application dated June 23, 1982 relating to the requests by the Alberta Utilities has been revised and now reads as follows:

YEAR	REQUEST	VOLUMES DELIVERED (MCF)
1974-75	No Request	20,984,411
1975-76	26,907,850 Mcf	20,234,861
1976-77	Notification of 0 Demand	1,141,623
1977-78	No Request	3,181,613
1978-79	No Request	5,113,013
1979-80	No Request	2,404,040
1980-81	No Request	2,253,188
1981-82	No Request	7,378,966
1982-83	No Request	7,000,000*
1983-84	No Request	

*Estimate

On April 26, 1978 Alberta and Southern entered into a gas sale contract with Pan-Alberta for the sale of up to 200 MMcf of gas per day. The first deliveries under this contract began on

October 1, 1981. Reduced markets for Pan-Alberta gas in the United States have resulted in lower than anticipated sales to Pan-Alberta. It is anticipated that sales for the 1982-83 contract year will be approximately 55% of the minimum annual volume provided under the gas sale contract.

(C) Forecasting and Developments

Alberta and Southern is still subject to the forecasting difficulties described in its prior Applications. An updated requirements forecast has been used to revise the table on page 9 of the last Application dated June 23, 1982 and the revised table now reads as follows:

ACTUAL AND FORECAST SALES VOLUMES
(Bcf/Year @ 14.65 psia)

CONTRACT YEAR	ALBERTA SALES	SPECIAL SALES	PIPELINE FUEL AND COCHRANE SHRINKAGE	CDN. MONTANA	B.C. UTILITIES	WTCL	PGT	TOTAL
1971-72	3.1		21.0	29.9	5.4		376.8	436.2
1972-73	12.3		21.0	32.2	6.4		384.0	455.9
1973-74	23.3		19.9	29.6	5.1	3.2	375.7	456.8
1974-75	26.9	20.1	19.2	29.6	4.6	5.4	366.8	472.6
1975-76	36.4	5.8	19.1	28.3	4.2	4.0	394.8	492.6
1976-77	17.9	0.2	18.0	23.9	5.2	7.3	392.1	464.6
1977-78	19.7	6.1	17.3	17.7	3.5	8.3	375.2	447.8
1978-79	18.8		26.4	27.7	3.4	2.7	362.1	441.1
1979-80	15.6	0.2	32.6	26.9	3.3	1.7	361.3	441.6
1980-81	20.7		23.7	25.9	3.9	0.8	283.1	358.1
1981-82	23.4	14.1	25.4	21.8	7.3		256.9	348.9
1982-83	19.7	22.0	21.7	8.9	3.9	0.0	256.5	332.7
1983-84	19.7	14.2	29.4	3.5	6.5	0.0	263.1	336.4
1984-85	18.1	14.0	31.8	3.5	8.0	0.0	304.8	380.2
1985-86	16.8	11.7	32.6	20.5	8.6	0.0	310.9	401.1
1986-87	16.4	3.2	34.5	29.2	9.1	0.0	341.4	433.8

WTCL - Westcoast Transmission Company Limited
PGT - Pacific Gas Transmission Company

In the period since the last Application was filed, sales to PGT have been averaging about 80% of the revised daily contract quantity under the gas sale contract. As pointed out in prior Applications this decline to a minimum contract volume from the system capacity rates can be attributed to the increases in the international border price of gas which resulted in an indication from the California Public Utilities Commission to PG&E that it expected to see PG&E undertake some effort to reduce its obligation to take Canadian gas from PGT.

The relatively low levels of purchases by both PGT and Canadian-Montana under their respective gas sale contracts will result in a triggering of the obligations to make payments to Alberta and Southern for the volumes of gas not taken. It is estimated that PGT will be required to pay $61 million and Canadian-Montana will be required to pay $28 million for the volumes of gas not taken during the contract year ending June 30, 1983.

Alberta and Southern has maintained "best effort" sales agreements with Westcoast Transmission Company Limited and the major Alberta utilities for the 1982-83 heating season. Some gas was sold under the agreement with the major Alberta utilities during the contract year ending June 30, 1983.

As pointed out in prior applications, commencing in February, 1981 Alberta and Southern entered into amending agreements with a number of producers providing it in the aggregate with a majority of its contracted gas supply to reduce its obligation to pay for gas not requested or taken during the period July 1, 1980 through June 30, 1982. Under the terms of the amending

agreements Alberta and Southern is required to pay for only 25% of any volume of gas which Alberta and Southern would be obliged to pay for if available and not taken in the above-noted period. Subsequently, Alberta and Southern and a majority of its producers have entered into further agreements to extend the period from June 30, 1982 through to June 30, 1984 during which the obligation to pay for gas not requested or taken is reduced.

III. Anticipated Effect on Producers Receiving Take-or-Pay Payments and on the Alberta Cost of Service

(A) Producers

Alberta and Southern continues to adhere to its stated policy of equitable allocation, insofar as practicable, of its purchases among all producers with dry gas contracts.

(B) Cost of Service

The inclusion of carrying costs in respect of take-or-pay payments for the contract year ending June 30, 1983, will result in an increase in each separate cost of service per Mcf for category A, category B, category C and category D gas. The actual amount of the increase in each separate cost of service will depend on the volumes of take-or-pay gas not taken in the contract year ending June 30, 1983, the price paid for same, the interest payable on monies borrowed to make take-or-pay payments and the date when such gas is recovered. An additional factor is the volume actually taken in subsequent years.

The take-or-pay payments made in respect of the five consecutive contract years ending June 30, 1982 are being financed through the issuance of Alberta and Southern's short term

promissory notes. It is intended that the take-or-pay payments in respect of the contract year ending June 30, 1983 will be financed in the same manner.

In order to fairly allocate the carrying costs for the six consecutive contract years ending June 30, 1983, so that those producers who waive the obligation imposed on Alberta and Southern to make take-or-pay payments for the contract year ending June 30, 1983 and repay the monies previously paid to them for gas not requested and taken in prior contract years (i.e. producers delivering category E gas) are not paying a share of the proportionately larger carrying costs for those producers who either accept 25% of the payment that they would otherwise be entitled to (i.e. producers delivering category B, category C or category D gas) or receive 100% of the entitled payment (i.e. producers delivering category A gas), Alberta and Southern requests that a multi-tiered Alberta cost of service be established. If the multi-tiered Alberta cost of service is established, the various tiers will differ from each other only by the addition (where applicable) of carrying costs related to the financing of that portion of the take-or-pay payments reduced to 25% of the original obligation and by the addition (where applicable) of carrying costs related to the financing of that portion of the take-or-pay payments which have not been so reduced. Further, if the multi-tiered Alberta cost of service is established, the monthly carrying costs with respect to each category of gas (other than category E gas) will be allocated on the basis of the carrying costs related to the take-or-pay

payments made in respect of each such category of gas and on the basis of the volumes of gas actually delivered in each month during the contract year ending June 30, 1984 by producers who deliver each such category of gas.

Assuming payments for take or pay gas for the contract year ending June 30, 1983 at \$1.93 per Mcf, interest costs of 9 1/2 percent per annum (approximately the current rate) and the sale of the volumes set out in the table on page 11, the impact on Alberta and Southern's separate costs of service for category A, category B, category C and category D gas commencing August 30, 1983 will be approximately:

(a) 4.3¢ per Mcf (\$1.53 per 10^3m^3) for the continued inclusion of the interest costs payable in respect of the three contract years ended June 30, 1980; plus

(b) 1.6¢ per Mcf (\$0.57 per 10^3m^3) for the continued inclusion of 25% of the interest costs payable in respect of the two contract years ended June 30, 1982; plus

(c) 1.3¢ per Mcf (\$0.46 per 10^3m^3) for the inclusion of 25% of the interest costs payable in respect of the contract year ending June 30, 1983; plus

(d) as applicable,

(i) Category A gas.

2.9¢ per Mcf (\$1.03 per 10^3m^3) for the continued inclusion of 75% of the interest costs payable in respect of the two contract years ended June 30, 1982 and for the inclusion of 75% of the

interest costs payable in respect of the contract year ending June 30, 1983; or

(ii) Category C gas.

4.3¢ per Mcf (\$1.53 per 10^3m^3) for the inclusion of 75% of the interest costs payable in respect of the contract year ending June 30, 1983; or

(iii) Category D gas.

3.3¢ per Mcf (\$1.17 10^3m^3) for the continued inclusion of 75% of the interest costs payable in respect of the two contract years ended June 30, 1982.

The above-described impact is set out, inter alia, in the table attached as Schedule I to this Application.

It is estimated that for the contract year ending June 30, 1983 the volume of category A gas which will be paid for and not taken is Nil Bcf [Nil 10^6m^3], the volume of category B gas which will be paid for and not taken is 41.9 Bcf [1 180.5 10^6m^3], the volume of category C gas which will be paid for and not taken is 48.2 Bcf [1 358.0 10^6m^3], the volume of category D gas which will be paid for and not taken is 4.0 Bcf [112.7 10^6m^3] and the volume of category E gas in respect of which the obligation to make take-or-pay payments will be waived is 0.1 Bcf [2.8 10^6m^3].

A payment of approximately \$8.7 million made by Canadian-Montana to Alberta and Southern in respect of the contract year ending June 30, 1978, a payment of approximately \$1.0 million made by Canadian-Montana to Alberta and Southern in

respect of the contract year ending June 30, 1982 and a payment of approximately $49 million made by PGT to Alberta and Southern in respect of the contract year ending June 30, 1982 for failure to meet their respective minimum annual quantity obligations under their respective gas sale contracts reduced the amount that Alberta and Southern was obliged to borrow in order to make take-or-pay payments. Canadian-Montana has recovered approximately $4.5 million of these payments to June 30, 1982. Canadian-Montana and PGT will be required to make further payments for failure to take the minimum annual quantities under their respective gas sale contracts in respect of the 1982-83 contract year. As Canadian-Montana and PGT recover this gas paid for but not taken, and to the extent that Alberta and Southern is unable to recover same as make up gas under the terms of its gas purchase contracts, the separate costs of service will increase slightly.

IV. Make Up Gas

Alberta and Southern is reasonably confident that it will be able to take all quantities of make up gas in accordance with its rights under its gas purchase contracts. However, even if Alberta and Southern is unable to take all quantities of make-up gas in accordance with its rights under its gas purchase contracts, Alberta and Southern has reduced its prior financial exposure as a result of the amending agreements entered into with a number of its producers and described previously. The amending agreements provide, *inter alia*, that in the event full recovery of gas actually paid for but not taken is not achieved during the term of the gas purchase contract, then the producer will:

(i) deliver gas from other fields already under contract to Alberta and Southern to ensure full recovery of the pre-paid gas; or

(ii) dedicate to Alberta and Southern gas reserves from other sources; or

(iii) on the 60th day next following the last day of the last contract year of the gas purchase contract, pay to Alberta and Southern an amount of money equal to the total amount of money paid by Alberta and Southern for the pre-paid gas that has not then been recovered.

V. Common Stream Buying Agreements with TransCanada

It should be noted that, for administrative reasons, Alberta and Southern has entered into common stream buying agreements with TransCanada PipeLines Limited ("TransCanada") in two fields where Alberta and Southern has contracted for a small percentage of field production. In one of these fields annual take-or-pay payments are calculated and paid on the basis of TransCanada's contract year (i.e. November 1 to October 31) and, in the other case, on the basis of a calendar year even though Alberta and Southern's gas purchase contracts specify a contract year ending June 30. The amount paid out by Alberta and Southern under these arrangements constitutes a small fraction of its total take-or-pay payments (in respect of the period ending December 31, 1982 the amount was $402,820) and for the purpose of this Application such amounts are included in the figures given for the Alberta and Southern contract year.

VI. Other Matters

Alberta and Southern extends an invitation to the Commission to meet with its personnel to review developments since the previous Application and to discuss in greater detail the request for the establishment of the multi-tiered Alberta cost of service.

WHEREFORE Alberta and Southern respectfully requests that the Commission approve Alberta and Southern's Application.

DATED at the City of Calgary in the Province of Alberta, this 30th day of June 1983.

Respectfully submitted,
ALBERTA AND SOUTHERN GAS CO. LTD.

By: Thomas R. Benson
Solicitor

Communications relative to this Application should be directed to:

Alberta and Southern Gas Co. Ltd.
24th Floor, East Tower, Esso Plaza
425 First Street S.W.
CALGARY, Alberta

Schedule 1

Alberta and Southern Gas Co. Ltd.

Category	Take-or-Pay Advances: Amount $	Take-or-Pay Advances: Percentage (%)	Carrying cost @ 9.5%: Common $	Carrying cost @ 9.5%: 75% Excess to Non-signatory producers $	Carrying cost @ 9.5%: Total $	Estimated purchases July 1/83 – June 30/84: Volume (Bcf)	Estimated purchases July 1/83 – June 30/84: Percentage (%)	Unit Cost of Service: Common (¢/mcf)	Unit Cost of Service: Incremental (¢/mcf)
1981/82/83 Advances									
A						.5	.15	7.2	2.9
– Non-signatory 1981–1983	487,600	.197	4,880	14,640	19,520				
B						330.8	98.39	7.2	–
– Signatory 1981–1983	238,226,400	96.112	9,523,370	–	9,523,370				
C						4.6	1.38	7.2	4.3
– Signatory 1981–1982	2,206,000	.890	88,190	–	88,190				
Non-signatory 1983	6,600,000	2.663	65,970	197,900	263,870				
D						.3	.08	7.2	3.3
– Non-signatory 1981–1982	334,400	.135	3,350	10,030	13,380				
Signatory 1983	8,000	.003	300	–	300				
	247,862,400	100.000%	9,686,060	222,570	9,908,630	336.2	100.00%		
E – Refund all advances	–	–	–	–	–	.2		–	–
1978/79/80 Advances	150,644,700		14,311,250	–	14,311,250				
Total	398,507,100		23,997,310	222,570	24,219,880	336.4			

Receipts from export customers (actual plus projected for 1983 contract year)

– PGT	110,388,000
– Canadian-Montana	33,173,000
	143,561,000

Net Advances

– 1978/79/80	150,644,700
– 1981/82/83	104,301,400
	254,946,100

Alberta

PETROLEUM MARKETING COMMISSION

September 30, 1983

INFORMATION BULLETIN RE ALBERTA COST OF SERVICE

The Alberta Cost of Service Information Bulletin for the month of August, 1983 is attached.

The Information Bulletin consists of:

1. Copies of any special Orders or Determinations issued by the Commission during the month with respect to Alberta Cost of Service, and notice of any Statements of Objection which have been received during the month; and

2. Alberta Cost of Service Determinations for the month.

In the case of gas intended to be removed from Alberta, the cost of service determined under Section 11(1), 15(3)(a) and 15(5)(b)(i) of the Natural Gas Pricing Agreement Act for each month is based on estimated figures for that month, adjusted to allow for differences between the estimated and actual figures for the previous month.

In the case of gas intended for consumption within Alberta, the amount estimated as cost of service under Sections 11(2)(a)(ii) and 15(3)(b)(i) of the Act were made under the Commission's general directive for the Alberta cost of service.

All determinations are on gross or higher heating value on a dry basis at 15°C and an absolute pressure of 101.325 kPa (kilopascal).

Yours very truly,

ALBERTA PETROLEUM MARKETING COMMISSION

R D Hall

R. D. Hall
Vice-Chairman

Attachment

INFORMATION BULLETIN
ALBERTA COST OF SERVICE DETERMINATION
PURSUANT TO THE NATURAL GAS PRICING AGREEMENT ACT
MONTH OF AUGUST, 1983

Section 15(3)(a)	Cents Per Gigajoule (GJ)*
Alberta and Southern Gas Co. Ltd.	
- signatory	39.013
- non-signatory	43.354
Canadian Montana Pipe Line Company	96.266
Canadian Montana Gas Company Limited	96.253
Consolidated Natural Gas Limited	37.552
Many Islands Pipe Line (Canada) Limited	
- Purchased Gas	29.631
- North Sibbald (Agent)	N/A
- Saddle Lake	26.775
- Esther	24.279
Pan-Alberta Gas Ltd.	
- Basic	39.484
- Delivery Points - Liege	51.708
- Saleski	51.639
- Lovet Creek	40.907
- Bear River	41.424
- House	51.533
- Heart River	42.005
- Donnelly	41.886
Progas Limited	34.181
Sulpetro Limited	32.717
TransCanada PipeLines Limited	
- Average(1)	63.878
- Category A	64.235
- Category B	64.362
- Category D	33.401
- Category E	46.333
Westcoast Transmission Company	
- Husky Oil Ltd.	33.658
- Petrogas Processing Ltd. et al	31.256
Westcoast Transmission Company (Alberta) Limited	
- North	33.576
- Triassic E	.474

Section 15(3)(b)	33.000

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Notes

* Calculated on a gross and dry heating value basis at 101.325 kpa (kilopascal) and 15^{o}C.

Notice

The price adjustment for gas is $0.33/GJ
The Alberta Border Price is $2.633 66/GJ

(1) For purposes of sales within Alberta

October 31, 1983

INFORMATION BULLETIN RE ALBERTA COST OF SERVICE

The Alberta Cost of Service Information Bulletin for the month of September, 1983 is attached.

The Information Bulletin consists of:

1. Copies of any special Orders or Determinations issued by the Commission during the month with respect to Alberta Cost of Service, and notice of any Statements of Objection which have been received during the month; and

2. Alberta Cost of Service Determinations for the month.

In the case of gas intended to be removed from Alberta, the cost of service determined under Section 11(1), 15(3)(a) and 15(5)(b)(i) of the Natural Gas Pricing Agreement Act for each month is based on estimated figures for that month, adjusted to allow for differences between the estimated and actual figures for the previous month.

In the case of gas intended for consumption within Alberta, the amount estimated as cost of service under Sections 11(2)(a)(ii) and 15(3)(b)(i) of the Act were made under the Commission's general directive for the Alberta cost of service.

All determinations are on gross or higher heating value on a dry basis at 15°C and an absolute pressure of 101.325 kPa (kilopascal).

Yours very truly,

ALBERTA PETROLEUM MARKETING COMMISSION

R D Hall

R. D. Hall
Vice-Chairman

Attachment

INFORMATION BULLETIN
ALBERTA COST OF SERVICE DETERMINATION
PURSUANT TO THE NATURAL GAS PRICING AGREEMENT ACT
MONTH OF SEPTEMBER, 1983

Section 15(3)(a)	Cents Per Gigajoule (GJ)*
Alberta and Southern Gas Co. Ltd.	
- Category A	43.415
- Category B	40.391
Canadian Montana Pipe Line Company	90.192
Canadian Montana Gas Company Limited	90.183
Consolidated Natural Gas Limited	42.370
Many Islands Pipe Line (Canada) Limited	
- Purchased Gas	31.204
- North Sibbald (Agent)	N/A
- Saddle Lake	34.330
- Esther	6.550
Pan-Alberta Gas Ltd.	
- Basic	28.579
- Delivery Points - House	40.627
- Heart River	30.948
- Donnelly	30.980
Progas Limited	36.113
Sulpetro Limited	31.781
TransCanada PipeLines Limited	
- Average(1)	63.204
- Category A	63.216
- Category B	63.636
- Category D	37.935
- Category E	48.202
Westcoast Transmission Company	
- Husky Oil Ltd.	29.824
- Petrogas Processing Ltd. et al	29.795
Westcoast Transmission Company (Alberta) Limited	
- North	32.536
- Triassic E	.474

Section 15(3)(b) 33.000

.../2

Notes

* Calculated on a gross and dry heating value basis at 101.325 kpa (kilopascal) and 15^{o}C.

Notice

The price adjustment for gas is $0.30/GJ
The Alberta Border Price is $2.633 66/GJ

(1) For purposes of sales within Alberta

DETERMINATION 83-08 (TCP)
Alberta Cost of Service
Natural Gas Pricing Agreement Act

APPLICATION

By application dated August 8, 1983, TransCanada PipeLines Limited (TransCanada) requests that the Alberta Petroleum Marketing Commission (the Commission) modify the rate of return on rate base used in determining TransCanada's Alberta cost of service in accordance with the Decision of the National Energy Board dated June, 1983. TransCanada also requests a revision to the current procedure of making application for periodic changes in the rate of return on rate base. The application (except for attachments) is shown in the attached Appendix A.

DECISION

1. TransCanada's rate of return on rate base for Alberta cost of service shall be 14.00 percent effective August 1, 1983.

2. TransCanada's request for revision to the current procedure of making application for periodic changes in the rate of return is denied.

REASONS

The Commission has in the past taken into account decisions made by other regulatory bodies exercising jurisdiction over transmission companies operating both within and without the Province of Alberta when such decisions have been consistent with Alberta law and Commission policies relating to Alberta cost of service. The Commission has reviewed the National Energy Board's Reasons for Decision and considers a 14.00% rate of return on rate base to be appropriate for Alberta cost of service.

DATED THIS 6th day of October, 1983, at Calgary, Alberta.

R. D. Hall
Vice-Chairman

IN THE MATTER OF AN APPLICATION

by TransCanada PipeLines Limited

to the Alberta Petroleum Marketing Commission

to modify the rate of return on rate base

in TransCanada PipeLines Limited's

Alberta Cost of Service

August 1983

REQUEST

TransCanada PipeLines Limited (TransCanada) hereby applies to the Alberta Petroleum Marketing Commission (the Commission) for approval to modify the rate of return on rate base used in determining TransCanada's Alberta cost of service in accordance with the Decision of the National Energy Board (NEB) dated June, 1983. TransCanada also requests a revision to the current procedure of making application for periodic changes in the rate of return on rate base.

In its Decision, the NEB allowed TransCanada to earn a 14.00% rate of return on rate base based on a deemed capitalization. A 15.00% return on a deemed common equity of 28% is included as a cost component in the approved rate of return. A copy of the NEB Decision which includes Orders No's. RH-2-83, TG-4-83, TG-5-83, and AO-1-TG-3-82 and the Reasons for Decision are attached as Exhibit "D" hereto. The pertinent information in the Reasons for Decision referring to the rate of return, is included under Chapter 3, page 9 through to and including page 13.

PRESENT PRACTICE

The previous rate of return on rate base approved by the NEB, which has been employed in calculating TransCanada's Alberta cost of service, was 13.88%. This rate has been effective from September 1, 1982 to July 31, 1983.

The Commission, by Determination 82-11 (TCP) dated 1982-11-09 accepted and approved the rate of return as set by the NEB.

The previous and present capital structures of TransCanada, approved by the NEB, are shown in Appendix V of the Reasons for Decision.

REASONS FOR THE REQUEST

The principles and methods which have been applied in the determination of TransCanada's Alberta cost of service, other than NOVA, An Alberta Corporation charges, are consistent with those approved by the NEB in establishing TransCanada's transmission tariff.

In prior determinations, the Commission has taken into account decisions made by the NEB providing such decisions were consistent with requirements of the Natural Gas Pricing Agreement Act or Commission policies relating to Alberta cost of service.

If a component of TransCanada's cost of service were to be allocated by the NEB to the transmission tariff on a basis which is different from the basis of allocation used by the Commission, this inconsistency would result in TransCanada obtaining more or less than its reasonable and necessary costs.

It is submitted that TransCanada adduced substantial evidence of its particular needs and circumstances at a public hearing held before the NEB in the months of May and June 1983. The producers, who were fully

represented at this hearing, cross-examined TransCanada extensively and submitted their own rebuttal evidence. The NEB thus had before it the full evidence and representations of TransCanada, the producers and other intervenors concerning TransCanada's particular needs and circumstances and the interests of the producers and other intervenors. The NEB considered and weighed this evidence and these representations in reaching its conclusions.

In view of these facts, TransCanada requests that this NEB Decision be applied uniformly in order to avoid unnecessary duplication of the regulatory process and unwarranted gains or losses to TransCanada.

In reference to the procedural change, it is TransCanada's opinion that the proposed method will facilitate both the administrative and regulatory processes in that it would dispense with the necessity for future periodic applications to the Commission when the only change is that of rate of return on rate base. Since the Commission currently monitors the NEB decisions, and for the previously mentioned reasons of consistency, it is proposed that TransCanada need only supply the Commission with a copy of the NEB Reasons for Decisions. If the NEB's decision impacts TransCanada's Alberta Cost of Service in any other area, then TransCanada will make application accordingly.

ANTICIPATED EFFECT ON TRANSCANADA'S ALBERTA COST OF SERVICE

The higher rate of return approved by the NEB will result in an estimated increase to TransCanada's Alberta cost of service (return component Line 8 per "Exhibit "A") of approximately $88,548 during the twelve month period ending July 31, 1983. The detailed calculations and assumptions are shown in Exhibits "A", "B" and "C".

Dated at the City of Calgary, in the Province of Alberta this 5th day of August, 1983.

Respectfully submitted
TRANSCANADA PIPELINES LIMITED

By:
E.W.H. Mallabone
Manager, Legal

Communications related to this Application should be directed to:

Mr. E.W.H. Mallabone
Manager, Legal
TransCanada PipeLines Limited
P.O. Box 500
Calgary, Alberta
T2P 2M7

Alberta

PETROLEUM MARKETING COMMISSION

403/262-8808
Telex: 03-821978
1900, 250 - 6th Avenue S.W.
Calgary, Alberta, Canada
T2P 3H7

November 30, 1983

INFORMATION BULLETIN RE ALBERTA COST OF SERVICE

The Alberta Cost of Service Information Bulletin for the month of October, 1983 is attached.

The Information Bulletin consists of:

1. Copies of any special Orders or Determinations issued by the Commission during the month with respect to Alberta Cost of Service, and notice of any Statements of Objection which have been received during the month; and

2. Alberta Cost of Service Determinations for the month.

In the case of gas intended to be removed from Alberta, the cost of service determined under Section 11(1), 15(3)(a) and 15(5)(b)(i) of the Natural Gas Pricing Agreement Act for each month is based on estimated figures for that month, adjusted to allow for differences between the estimated and actual figures for the previous month.

In the case of gas intended for consumption within Alberta, the amount estimated as cost of service under Sections 11(2)(a)(ii) and 15(3)(b)(i) of the Act were made under the Commission's general directive for the Alberta cost of service.

All determinations are on gross or higher heating value on a dry basis at 15°C and an absolute pressure of 101.325 kPa (kilopascal).

Yours very truly,

ALBERTA PETROLEUM MARKETING COMMISSION

R D Hall

R. D. Hall
Vice-Chairman

Attachment

INFORMATION BULLETIN
ALBERTA COST OF SERVICE DETERMINATION
PURSUANT TO THE NATURAL GAS PRICING AGREEMENT ACT
MONTH OF OCTOBER, 1983

Section 15(3)(a)	Cents Per Gigajoule (GJ)*
Alberta and Southern Gas Co. Ltd.	
- Category A	51.798
- Category B	44.900
Canadian Montana Pipe Line Company	81.149
Canadian Montana Gas Company Limited	81.139
Consolidated Natural Gas Limited	43.723
Many Islands Pipe Line (Canada) Limited	
- Purchased Gas	20.723
- North Sibbald (Agent)	3.294
- Saddle Lake	29.304
- Esther	10.433
Pan-Alberta Gas Ltd.	
- Basic	42.233
- Delivery Points - Bear River	44.176
- Ante Creek South	44.305
- Heart River	44.527
- Donnelly	44.639
- McLennen	44.624
Progas Limited	33.802
Sulpetro Limited	33.038
TransCanada PipeLines Limited	
- Average(1)	58.233
- Category A	58.704
- Category B	58.672
- Category D	30.568
- Category E	44.276
Westcoast Transmission Company	
- Husky Oil Ltd.	30.435
- Petrogas Processing Ltd. et al	27.183
Westcoast Transmission Company (Alberta) Limited	
- North	34.484
- Triassic E	.474

Section 15(3)(b)	33.000

.../2

Notes

* Calculated on a gross and dry heating value basis at 101.325 kpa (kilopascal) and 15°C.

Notice

The price adjustment for gas is $0.32/GJ
The Alberta Border Price is $2.633 66/GJ

(1) For purposes of sales within Alberta

Alberta

PETROLEUM MARKETING COMMISSION

403/2[illegible]
Telex: 03-821978
1900, 250 - 6th Avenue S.W.
Calgary, Alberta, Canada
T2P 3H7

December 30, 1983

INFORMATION BULLETIN RE ALBERTA COST OF SERVICE

The Alberta Cost of Service Information Bulletin for the month of November, 1983 is attached.

The Information Bulletin consists of:

1. Copies of any special Orders or Determinations issued by the Commission during the month with respect to Alberta Cost of Service, and notice of any Statements of Objection which have been received during the month; and

2. Alberta Cost of Service Determinations for the month.

In the case of gas intended to be removed from Alberta, the cost of service determined under Section 11(1), 15(3)(a) and 15(5)(b)(i) of the Natural Gas Pricing Agreement Act for each month is based on estimated figures for that month, adjusted to allow for differences between the estimated and actual figures for the previous month.

In the case of gas intended for consumption within Alberta, the amount estimated as cost of service under Sections 11(2)(a)(ii) and 15(3)(b)(i) of the Act were made under the Commission's general directive for the Alberta cost of service.

All determinations are on gross or higher heating value on a dry basis at 15°C and an absolute pressure of 101.325 kPa (kilopascal).

Yours very truly,

ALBERTA PETROLEUM MARKETING COMMISSION

R D Hall

R. D. Hall
Vice-Chairman

Attachment

INFORMATION BULLETIN
ALBERTA COST OF SERVICE DETERMINATION
PURSUANT TO THE NATURAL GAS PRICING AGREEMENT ACT
MONTH OF NOVEMBER, 1983

Section 15(3)(a)	Cents Per Gigajoule (GJ)*
Alberta and Southern Gas Co. Ltd.	
- Category A	42.903
- Category B	40.408
Canadian Montana Pipe Line Company	86.686
Canadian Montana Gas Company Limited	86.695
Consolidated Natural Gas Limited	42.724
Many Islands Pipe Line (Canada) Limited	
- Purchased Gas	25.422
- North Sibbald (Agent)	5.850
- Saddle Lake	28.040
- Esther	9.489
Pan-Alberta Gas Ltd.	
- Basic	32.854
- Delivery Points - Ante Creek South	34.922
- Chinchaga North	43.590
- Heart River	35.223
- McLennen	35.245
Progas Limited	32.589
Sulpetro Limited	32.788
TransCanada PipeLines Limited	
- Average(1)	47.717
- Category A	47.270
- Category B	48.326
- Category D	26.150
- Category E	34.055
Westcoast Transmission Company	
- Husky Oil Ltd.	28.836
- Petrogas Processing Ltd. et al	29.786
Westcoast Transmission Company (Alberta) Limited	
- North	24.795
- Triassic E	.474

Section 15(3)(b)	33.000

.../2

Notes

* Calculated on a gross and dry heating value basis at 101.325 kpa (kilopascal) and 15^{o}C.

Notice

The price adjustment for gas is $0.46/GJ
The Alberta Border Price is $2.633 66/GJ

(1) For purposes of sales within Alberta

DETERMINATION 83-09 (TCP)
ALBERTA COST OF SERVICE
NATURAL GAS PRICING AGREEMENT ACT

APPLICATION

By application dated November 16, 1983 TransCanada PipeLines Limited (TransCanada) requests approval to include in its Alberta cost of service costs of a program referred to as "Topgas Two". The application (without exhibits) is shown in Appendix "A" hereto.

The costs include interest on financing by Topgas Two of a maximum $400 million of take or pay payments and other costs for which TransCanada is committed to pay Topgas Two Inc.

The interest costs will be at the rate per annum of Canadian Prime Rate plus 7/8 of 1%. Canadian Prime Rate as defined in an exhibit to the application is:

> "... an annual rate of interest equal to the arithmetic average (rounded to the nearest one-thousandth of one per cent) of the rates of interest quoted or published by each of Canadian Imperial Bank of Commerce, Citibank Canada, Morgan Bank of Canada and the Royal Bank of Canada (the "Reference Banks") from time to time as being their respective prime rates of interest for Canadian dollar loans made in Canada, provided that if any of the Reference Banks fail to quote or publish a rate of interest as being its prime rate of interest for Canadian dollar loans made in Canada, such average shall be calculated as if such Reference Bank was not one of the Reference Banks."

Financing and administration costs associated with the development, organization and administration of the Topgas Two program for which TransCanada is required to pay Topgas Two Inc. are shown in Appendix "B". The cost estimates were provided by TransCanada at the Commission's request subsequent to the date of application.

DECISION

1. The application is granted.

2. TransCanada shall apply to the Commission for approval of its financing of outstanding take or pay payments that are not included in the Topgas Two program.

3. TransCanada shall in December, 1984 and in December of each year thereafter provide such information as may be required by the Commission to assess the prudency of contract management.

REASONS

The Commission considers that take or pay financing costs fall under the Natural Gas Pricing Agreement Amendment Regulation (A.R.119/82) as being "...considered just and reasonable by the Commission in respect of costs incurred by a person, whether or not the person is the original buyer, to finance payments made to or for the benefit of a producer in respect of gas not taken by the original buyer under a gas sales contract for which the producer was nevertheless entitled to be paid."

The Commission had expected that the Topgas program of last year which addressed the take or pay levels and TransCanada's apparent inability to sustain the magnitude of the financing requirements of take or pay payments would have eliminated the necessity for similar programs in the future. However, TransCanada's markets have deteriorated more than expected and additional take or pay liabilities have been incurred. The Topgas Two program allows each producer to assess the benefits of participation and to accept or reject the proposal. Therefore, in arriving at the decision in this determination, the Commission has not considered whether the Topgas Two program is the only feasible method of financing take or pay payments. Furthermore, in view of the necessity of producer agreement the Commission sees no reason to dispute its appropriateness.

TransCanada has filed an application requesting separate Alberta costs of service in order to apportion take or pay financing costs among producers depending on the extent of their participation in the Topgas and Topgas Two programs. The Commission recognizes the necessity of separate Alberta costs of service in order to allocate fairly financing costs among different categories of gas purchase contracts.

In reviewing the circumstances giving rise to TransCanada's take or pay obligation for the contract year ended October 31, 1983, the Commission is satisfied the situation did not result from imprudent actions of TransCanada. The Commission has also assessed and is satisfied there is continued necessity of financing for take or pay payments previously authorized by the Commission.

DATED this 9th day of December, 1983 at Calgary, Alberta.

D. C. Hetland
Secretary and Solicitor

PROVINCE OF ALBERTA

ALBERTA PETROLEUM MARKETING COMMISSION

APPLICATION FOR APPROVAL

TO INCLUDE

THIRD PARTY TAKE OR PAY INTEREST COSTS

AND TRANSCANADA COSTS ARISING UNDER

THE TOPGAS TWO PROGRAM IN THE

ALBERTA COST OF SERVICE

OF TRANSCANADA PIPELINES LIMITED

A. REQUEST

TransCanada PipeLines Limited ("TransCanada") requests that the Alberta Petroleum Marketing Commission ("the Commission") determine that it shall be just and reasonable to include and there shall be included in TransCanada's Alberta cost of service:

(a) interest at a rate per annum equal to the Canadian Prime Rate (as defined in the Topgas Two Agreement referred to below) plus 7/8 of 1% payable by Topgas Two Inc. ("Topgas Two") on monies borrowed by Topgas Two to finance payments to be made by Topgas Two to or for the benefit of Alberta gas producers in respect of gas not taken by TransCanada in the 1982/83 contract year but for which such producers were nevertheless entitled to be paid under TransCanada's gas purchase contracts as amended by an agreement between TransCanada, Topgas Holdings Limited ("Topgas") and TransCanada's producers dated May 20, 1982 (the "Original Agreement"), during the period commencing on

December 30, 1983 and continuing until the end of the allocation period as defined in the "Topgas Two Agreement" (as defined below), a copy of which is attached hereto as Exhibit "A".

(b) all costs for which TransCanada will become liable as a result of the organization, implementation and ongoing administration of the Topgas Two program (as defined below).

B. TAKE OR PAY STATUS

(a) The Topgas Program

In October of 1982, TransCanada and Topgas implemented a program (the "Topgas program") under which Topgas paid TransCanada's producers the amount of TransCanada's obligation to make take or pay payments for prepaid gas incurred during the 1981/82 contract year and for those volumes of gas up to the minimum annual obligation under each particular gas purchase contract, for which TransCanada was not required to pay as a result of TransCanada's 1980/81 and 1981/82 allocation program. In addition, Topgas advanced funds to TransCanada's producers equal to the take or pay monies advanced by TransCanada to producers prior to the 1981/82 contract year. The Topgas program and TransCanada's take or pay status prior to October, 1982 were described to the Commission in detail in TransCanada's application dated June 18, 1982.

As at September 30, 1983, take or pay gas outstanding under the Original Agreement ("Topgas Prepaid Gas") was as follows:

TOPGAS PREPAID GAS BALANCES
SEPTEMBER 30, 1983

Contract Year Ended Oct. 31	Take or Pay Recovered and Returned Since December 31, 1982 Quantity (GJ)	Amount ($)	Take or Pay Outstanding Quantity (GJ)	Amount ($)
1977			6 844 718	7 008 858
1978	3 818 889	4 423 151.93	108 052 055	125 150 103
1979	2 533 604	3 226 721.46	156 140 448	198 855 791
1980	1 921 995	3 072 673.49	289 133 772	462 235 269
1981	928 014	1 214 918.21	474 303 791	621 348 334
1982	8 674 184	13 710 241.71	562 336 824	888 818 337
	17 876 686	25 647 706.80	1 596 811 608	2 303 416 692

(b) Present Situation

Under the Original Agreement, TransCanada is presently obligated, during the period commencing on November 1, 1982 and ending on the date that all Topgas Prepaid Gas is recovered, to take or pay for gas at 60% of its 1981/82 annual obligation under the Seller's Gas Purchase Contracts as defined in the Original Agreement or 75% of a particular year's obligation, whichever is lesser.

The Topgas program was implemented in October, 1982. During the 1982/83 contract year TransCanada has experienced sales of natural gas at the lowest annual level since 1973. The combination of recessionary conditions, increasing natural gas prices, energy conservation, unseasonably warm weather and the prevailing uncertainty in respect of the deregulation

of U.S. gas markets has resulted in a significant decline in natural gas consumption. In addition, because of the high levels of drilling activity in the late 1970's and early 1980's there is at present a substantial surplus of natural gas available for delivery in both Canada and the United States.

At the outset of the Topgas program in March of 1982, TransCanada's projections of average weekly deliveries at the Alberta/Saskatchewan border were made during a time when TransCanada's winter requirements were at the highest level in its history. At that time, TransCanada projected that its future load pattern would be similar to that which had occurred in the immediate past, and it was expected that, during the next year, TransCanada's takes would be at a higher level than had occurred in 1981.

Beginning in April, 1982, and throughout the summer of 1982, TransCanada's requirements declined significantly below the normal load pattern which TransCanada had anticipated. Since the summer of 1982, market demand has continued at unexpectedly low levels. Throughout the 1982/83 winter season, TransCanada's takes at the Alberta/Saskatchewan border have been lower than during any similar period in the past five years. Summer deliveries for 1983 were such that TransCanada's total market of 1040 Bcf for the 1982/83 contract year was the lowest annual requirement in the last decade.

This market decline has prevented TransCanada from taking gas under its allocable gas purchase contracts at the minimum take or pay level required by the Original Agreement. As a result, TransCanada has incurred an obligation to pay some of its sellers of gas for take or pay gas with respect to the 1982/83 contract year. It is estimated that TransCanada's average take under it's allocable contracts will be approximately 47% of TransCanada's minimum annual obligations under all of its allocable contracts for the 1982/83 contract year. TransCanada estimates the obligation for gas not taken during the 1982/83 contract year under TransCanada's allocable gas purchase contracts as amended by the Original Agreement, will be an amount not exceeding 400 million dollars. A more detailed review of these matters is attached hereto as Exhibit "B" ("Market Supply Update").

C. PRUDENCY

TransCanada continues to act in a prudent and responsible manner in its efforts to minimize its take or pay volumes, its prepayments and its related carrying charges and to allocate its market equitably among its producers.

The following major actions have been taken during the current and prior years and are in place to ensure the achievement of the aforementioned objectives:

(1) Allocation

At the time of the implementation of the Topgas program which replaced the earlier allocation program, TransCanada successfully brought over in excess of 99% of its gas purchase contracts by volume within the allocation scheme under the Original Agreement. Producers who entered into the Topgas program received payment from Topgas for the additional volumes arising under the allocation program for the 1980/81 contract year, payment from Topgas for all take or pay gas outstanding as of December 31, 1981 as well as payment for the full amount of take or pay gas incurred in the 1981/82 contract year based on 100% of obligation. Commencing on November 1, 1982, TransCanada has equitably allocated its annual market available for allocation to its gas purchase contracts.

(2) Accelerated Recovery

During the 1982/83 contract year, TransCanada has diligently exercised its rights under paragraph 19 of the Original Agreement to accelerate recovery in respect of those contracts where recovery of Topgas Prepaid Gas cannot be otherwise achieved. As a result of notices under paragraph 19, 55 gas purchase contracts are now subject to agreements which accelerate the recovery of Topgas Prepaid Gas. Producers have returned or will return Topgas Prepaid monies, in respect of 15 such contracts, and negotiations continue under paragraph 19 with respect to 69 of these contracts.

TransCanada will continue to diligently monitor deliverability performance for gas contracts to ensure complete recovery of Topgas Prepaid Gas under all contracts.

(3) Marketing

TransCanada continues to seek increased export markets for Alberta gas. TransCanada has recently concluded Memmorandums of Understanding with Michigan Wisconsin PipeLine Company and Great Lakes Gas Transmission Company, two of its U.S. Buyers, which address the take or pay deficiencies incurred under TransCanada's sales contracts in the 1982/83 contract year and expected in the succeeding two contract years. These understandings introduce the concept whereby the Buyer will be required to take and pay for 50% of its annual obligation. If the Buyer fails to take such volumes, payment will be made in any event at the export border price without any right of make-up. TransCanada expects that such a requirement will substantially increase TransCanada's export sales in the 1983/84 contract year.

TransCanada continues to actively seek increased gas sales throughout the market areas in Canada to which TransCanada has access. During the 1982/83 contract year, TransCanada has participated in an extensive advertising program in order to promote the consumption of natural gas in Eastern Canada.

(4) Gas Supply

TransCanada continues to evaluate its contracted reserves and associated deliverability to ensure that it prudently exercises its rights to reduce its exposure to future take or pay obligations.

In accordance with the Original Agreement, TransCanada did not enter into any new gas purchase contracts during the 1982/83 contract year other than solution gas contracts.

During 1983, TransCanada, Consolidated Natural Gas Limited ("Consolidated"), Topcon Holdings (Alberta) Limited and Consolidated's producers successfully negotiated an arrangement which brought TransCanada's Consolidated gas supply within the TransCanada allocation program. TransCanada thereby reduced the level of its take or pay obligation to Consolidated.

Despite TransCanada's ongoing efforts to overcome the supply/demand imbalance, TransCanada has incurred a take or pay obligation for the 1982/83 contract year. TransCanada has determined that the most cost-effective way of financing such payments is through a Topgas-like arrangement. Accordingly, TransCanada has developed an arrangement with Topgas Two (the "Topgas Two program") which it has submitted to the producing industry.

D. THE TOPGAS TWO PROGRAM

The Topgas Two program will be implemented by an amendment to the Original Agreement and will be entered into among such participating producers, TransCanada, Topgas and Topgas Two. The program will apply only to those gas purchase contracts that are amended by the Topgas Two Agreement.

The Topgas Two program may be summarized as follows:

(i) On December 30, 1983, Topgas Two will pay to each participating producer in respect of all gas purchase contracts amended by the Topgas Two Agreement, the take or pay payment for the 1982/83 contract year which TransCanada is otherwise obligated to make under the Original Agreement.

(ii) Producers who have entered into the Topgas Two Agreement will have the option of waiving their right to payment from Topgas Two.

(iii) For the 1983/84 contract year, the level, below which TransCanada is required to make take or pay payments, is reduced from the existing 60% of the 1981/82 minimum annual obligation under each contract, to 50% of the 1981/82 minimum annual obligation under

each such contract. In each subsequent year of the allocation period, this take or pay floor is to be calculated as the average of the two preceding years' market available for allocation, expressed as a percentage of the respective year's aggregate minimum annual obligations under all allocable gas purchase contracts, less five percentage points. This formula is subject to the proviso that the minimum required take or pay level will not be less than 50% nor exceed 60% of the 1981/82 minimum annual obligation. Under the Topgas program TransCanada is only entitled to recover take or pay gas which it incurs under a particular contract (defined as "TransCanada Prepaid Gas") after all Topgas Prepaid Gas has been recovered by Topgas in respect of such contract.

(iv) Under the Topgas program and commencing with the 1984/85 contract year, Topgas Prepaid Gas will be recovered as a portion of the producer's annual deliveries, which portion will be the volume of gas having a heat content equal to at least 10% of the Topgas Prepaid Gas outstanding as of December 31, 1982. TransCanada would recover 1/4 of this portion in each of the first four months of the contract year. If TransCanada's markets substantially increase, the rate of recovery of Topgas Prepaid Gas would also increase.

Under the Topgas Two Program and commencing with the 1984/85 contract year, Topgas Prepaid Gas and gas paid for by Topgas Two ("Topgas Two Prepaid Gas") will be recovered as a portion of the producer's annual deliveries, which portion will be an amount of gas having a heat content equal to at least 10% of the Topgas Prepaid Gas oustanding as of December 31, 1982 and at least 10% of the Topgas Two Prepaid Gas outstanding as of December 31, 1983. TransCanada will recover 1/5 of this portion in each of the first five months of the contract year. In allowing Topgas Two to make payments for the take or pay gas incurred by TransCanada in the 1982/83 contract year and to recover such gas as Topgas Two Prepaid Gas concurrently with Topgas Prepaid Gas, the Topgas Two Agreement varies the Original Agreement insofar as TransCanada Prepaid Gas will no longer be recovered after Topgas Prepaid Gas.

(v) The Topgas Two Agreement amends the max. day relief provision of the Original Agreement by providing that, during the 1983/84 contract year, a producer will not be required, under an allocable gas purchase contract, to deliver gas on a given day in excess of 65% of the maximum daily volume under the contract, and during each subsequent contract year of the allocation period, a

producer will be required, under an allocable gas purchase contract, to deliver gas on a given day at no less than 75% of the maximum daily volume under the contract. This amendment prevents max. day relief from falling to unrealistically low levels which interfere with equitable allocation and endanger full industry response to future increases in market demand.

(vi) Apart from amending the Original Agreement to accomodate the foregoing, the Topgas Two Agreement restates and modifies the terms of the Original Agreement and varies or modifies the Original Agreement.

The obligations of Topgas Two and TransCanada are subject to the conditions that there be a satisfactory assurance that it is appropriate for TransCanada to include and equitably apportion in its Alberta cost of service the interest associated with the payments to be made by Topgas Two, that sufficient sellers of gas execute and deliver the Topgas Two Agreement, and that Topgas be authorized by its lenders to enter into the Topgas Two Agreement.

The foregoing conditions must be satisfied on or before December 16, 1983 unless waived by all of Topgas, Topgas Two and TransCanada. TransCanada has submitted to its producers the Topgas Two Agreement and has requested of its producers that they execute and return the Agreement by December 15, 1983.

E Financing Agreement

TransCanada and Topgas Two will enter into a Financing Agreement (the "Topgas Two Financing Agreement") which among other things will provide for a TransCanada indemnity of Topgas Two and payment by TransCanada of the various initial and ongoing expenses of Topgas Two in undertaking the Topgas Two program (the "financing and administration costs").

Limited Indemnity

TransCanada will indemnify Topgas Two to a maximum of 55 million dollars in respect of damages suffered by Topgas Two which may be suffered by Topgas Two under the Topgas Two program. This indemnity is in addition to the 300 million dollar indemnity given by TransCanada to Topgas under the Topgas program.

Financing and Administration Costs

TransCanada is liable to reimburse Topgas Two the fees and expenses normally associated with a major financing of this nature and proposes that these financing and administration costs be included in TransCanada's Alberta cost of service. These costs are:

(a) an up-front fee charged to Topgas Two by the managing bank and in respect of the monies committed to Topgas Two for the purpose of payments to be made under the Topgas Two Agreement. The up-front fee will be calculated as 1/2 of 1% of the monies committed to be advanced to Topgas Two for distribution among TransCanada's producers.

(b) a co-ordinator's fee, calculated as 1/20 of 1% of the monies committed to be advanced by Topgas Two, to be paid to the co-ordinators of the Topgas Two syndicate who undertook the development and organization of the Topgas Two program

(c) a stand-by fee, charged to Topgas Two in respect of funds committed by the banks to Topgas Two but undrawn. TransCanada anticipates that this stand-by fee will be calculated as ¼ of 1% per annum from the date or dates of such commitment until the date or dates that such money is drawn by Topgas Two.

(d) all other reasonable fees and disbursements payable by Topgas Two or the co-ordinators of the Topgas Two syndicate associated with the development and organization of the Topgas Two program including legal costs, engineering costscosts and printing costs.

(e) an annual fee in the amount of $15,000 per annum to be paid by Topgas Two to the Canadian Imperial Bank of Commerce for the ongoing administration of Topgas Two program together with expenses and disbursements related thereto.

(f) two annual agency fees each in the amount of $10,000 and payable to the Canadian Imperial Bank of Commerce and the Morgan Bank of Canada as agents for the lenders to Topgas Two.

F. CONCLUSION

For the foregoing reasons, TransCanada respectfully requests that the Commission determine:

(1) that it shall be just and reasonable to include and there shall be included in TransCanada's Alberta cost of service, interest at a rate per annum equal to the Canadian Prime Rate, as defined in the Topgas Two Agreement, plus 7/8 of 1% payable by Topgas Two on monies borrowed by Topgas Two up to a maximum of 400 million dollars to finance payments made by it to or for the benefit of Alberta gas producers;

(2) that the inclusion of such interest costs may commence on December 30, 1983 and continue thereafter until all Topgas Two Prepaid Gas is recovered;

(3) that there shall be included in TransCanada's Alberta cost of service the financing and administration costs associated with the development, organization and ongoing administration of the Topgas Two program; and

(4) that the financing and administration costs, other than the ongoing administration fees and expenses, be capitalized and amortized monthly on a straight-line basis over the term of the Topgas Two program, and that such costs be included in TransCanada's Alberta cost of service commencing in the month of January, 1984 and continuing thereafter until such amounts are fully recovered.

DATED at the City of Calgary, in the Province of Alberta, this 16th day of November 1983.

All of which is respectfully submitted,

TRANSCANADA PIPELINES LIMITED

per: ______________________
E.W.H. MALLABONE
Manager, Legal

Communications related to this
Application should be directed to

Mr. E.W.H. Mallabone
Manager, Legal
TransCanada PipeLines Limited
TransCanada PipeLInes Tower
530 - 8th Avenue S.W.
P.O. Box 500
Station M
Calgary, Alberta
T2P 3V6

SCHEDULE 1

TransCanada PipeLines - Topgas Two

AGREEMENT	DESCRIPTION	ESTIMATED AMOUNT ($000)
One Time Costs		
TransCanada - Topgas Two	Stand-by fee 1/4 of 1% of undrawn portion to Dec. 30, 1983.	250
	TransCanada is liable for payment to all lenders through Topgas Two.	
	Management fee (Up-front fee) 1/2 of 1%	2,000
	TransCanada is liable for payment to lenders through Topgas Two.	
TransCanada - Co-ordinating	Co-ordinating Managers fee 1/20 of 1%.	200
	Total estimated expenses (legal, engineering, other)	1,300
	TransCanada is liable for payment to the co-ordinating banks.	
	Total Estimated One Time Costs	**$3,750**
Annual Costs		
	Administration and Agency fees.	35
	Topgas Two estimated operating and audit costs.	50
	Total Estimated Annual Costs	**85**

DETERMINATION 83-10 (TCP)
ALBERTA COST OF SERVICE
NATURAL GAS PRICING AGREEMENT ACT

APPLICATION

By application dated November 17, 1983 TransCanada PipeLines Limited (TransCanada) applies for a revised multi-tiered Alberta cost of service to accommodate a program referred to as "Topgas Two".

The application is attached as "Appendix A" and Determination 82-14 (TCP) is attached as "Appendix B".

DECISION

1. The application is granted.

2. Sub-category D_2 shall consist of gas purchase contracts amended by the Topgas Two Agreement under which producers actually entitled to take or pay payments have waived the payments or repaid the payments in full after December 30, 1983.

3. Costs of the Topgas Two program apart from interest costs shall be apportioned equally against all purchased gas quantities.

4. This determination shall have no force or effect until implementation of the "Topgas Two" program.

REASONS

The new categories to be implemented are created upon the same principles as followed in Determination 82-14 (TCP).

Sub-categories D_1 and D_2 are established for the limited purpose of inducing a further voluntary reduction in the amount of take or pay payments outstanding.

DATED THIS 9th day of December, 1983 at Calgary, Alberta.

D. C. Hetland
Secretary and Solicitor

PROVINCE OF ALBERTA

ALBERTA PETROLEUM MARKETING COMMISSION

APPLICATION FOR APPROVAL OF A REVISED

MULTI-TIERED TRANSCANADA ALBERTA COST OF SERVICE

I. Request

TransCanada PipeLines Limited ("TransCanada") requests that the Alberta Petroleum Marketing Commission (the "Commission") revise and amend its Determination 82-14 (TCP) ("Determination 82-14") such that, commencing on December 30, 1983 and continuing until all Prepaid Gas (as defined therein) is recovered, volumes of gas produced under contracts in Category A of TransCanada's Alberta cost of service attract, as a component of the Alberta cost of service for such volumes, a portion of the Topgas Two Interest Costs (as defined below).

TransCanada further requests that the Commission revise and amend Determination 82-14 such that, commencing on December 30, 1983 and continuing until all Prepaid Gas is recovered, volumes of gas produced under any contract which is amended by a Topgas Two Agreement and presently in Category B or D of the TransCanada Alberta cost of service, attract

(i) Topgas Interest Costs (as defined below) as a component of the Alberta cost of service for such volumes, according to whether or

not a producer has repaid, after October 5, 1982, all payments made by Topgas Holdings Limited ("Topgas") which are outstanding under such contract; and

(ii) Topgas Two Interest Costs (as defined below) as a component of the Alberta cost of service for such volumes, according to whether or not a producer has waived its right under the Topgas Two Agreement to receive payments from Topgas Two or whether or not a producer has repaid, after December 31, 1983, all payments made by Topgas Two which are outstanding under such contract.

II. The Topgas Program and the Topgas Two Program

In 1982, TransCanada, Topgas and each of TransCanada's participating producers entered into an agreement dated May 20, 1982 (the "Original Agreement"). The Original Agreement provided that TransCanada allocate its available markets to its allocable gas purchase contracts (the "Topgas program"). Topgas paid to TransCanada's producers the amount which TransCanada was otherwise obligated to pay for prepaid gas incurred during the 1981/82 contract year and for those volumes of gas not taken by TransCanada and for which TransCanada was not required to pay as a result of TransCanada's 1980/81 and 1981/82 allocation program.

Topgas also advanced funds to TransCanada's producers equal to the take or pay payments made by TransCanada prior to the 1981/82 contract year.

The Commission determined in its Determination 82-07 (TCP) that the interest costs incurred by Topgas in obtaining the funds paid to TransCanada's producers under the Topgas program (the "Topgas Interest Costs") be recovered through the TransCanada Alberta cost of service.

Due to the unexpected decline of TransCanada's market in the 1982/83 contract year, TransCanada has incurred an obligation to pay up to 400 million dollars to some of its sellers for take or pay gas. TransCanada has determined that the most cost-effective way of financing such payments is through a Topgas-like arrangement, whereby Topgas Two Inc. ("Topgas Two"), a corporation distinct from Topgas and financed by a different consortium of lenders, will make the payments which TransCanada is otherwise obligated to make. TransCanada has submitted to its producers an agreement (the "Topgas Two Agreement") which amends the Original Agreement to provide for such an arrangement (the "Topgas Two program"). The closing date under the Topgas Two Agreement is December 30, 1983. It is a condition of the Topgas Two Agreement that there be obtained satisfactory assurance that the interest costs of Topgas Two in obtaining the funds necessary to make the payment under the Topgas Two Agreement (the "Topgas Two Interest Cost") be recovered by Topgas Two through a TransCanada Alberta cost of service.

TransCanada, consistent with some producers and government officials, believes the industry may be well served if producers waive take or pay payments for the 1982/83 contract year. TransCanada is actively encouraging its producers to forego take or pay payments. A form of waiver was attached to the cover letter which was delivered to TransCanada's producers along with the Topgas Two Agreement (a copy of which letter is included herewith as Exhibit "A"). TransCanada recognizes, however, that the cash requirements of certain producers are such that they may not be able to waive the 1982/83 take or pay payment.

With the implementation of the Topgas Two program, there will be two distinct third party sources of financing for TransCanada's take or pay obligations. TransCanada submits that it is essential that the categories of Alberta cost of service reflect the importance of equitably apportioning the interest costs associated with these separate streams of financing.

In its Determination 82-14, the Commission, by creating Category C, affirmed that it is equitable that a producer who has take or pay monies outstanding, but who voluntarily declines any further take or pay payments which it may then have taken, should have the benefit of relief in the Alberta cost of service from interest costs associated with further take or pay payments then taken by other producers.

The Commission further determined, by creating Category D, that a producer who repays all take or pay payments should have the benefit of relief in the Alberta cost of service from any interest costs associated with outstanding take or pay payments made to other producers.

TransCanada submits that it is equitable, in apportioning interest costs in TransCanada's Alberta costs of service, that the status of a gas purchase contract under the Topgas program be assessed separately from the status of such gas purchase contract under the Topgas Two program, and that a producer who waives or returns payment, under one program or the other, not be assessed interest costs associated with the program in respect of which it has returned or waived all monies.

III. Revised Multi-Tiered Alberta Cost of Service

TransCanada proposes that the Commission amend Determination 82-14 by revising category A, and replacing Categories B and D with the sub-categories, or combinations thereof, as described below, in order to equitably apportion Topgas Interest Costs and Topgas Two Interest Costs in TransCanada's Alberta cost of service.. TransCanada proposes that, commencing on December 30, 1983, the categories of TransCanada's Alberta cost of service be revised as follows:

Category B and Category D

Category B presently consists of all gas purchase contracts amended by an Original Agreement which are not included in the present Categories A and D and includes, in particular, those contracts in respect of which there remains Topgas Prepaid Gas outstanding. Volumes of gas produced in each month under each Category B contract presently attract, as a component of the applicable Alberta cost of service, those Topgas Interest Costs remaining after deduction for Category A contracts.

Category D presently consists of those gas purchase contracts amended by an Original Agreement in respect of which producers have repaid all Topgas payments in full after October 5, 1982. In calculating the monthly Alberta cost of service for volumes of gas produced under such contracts, no Topgas Interest Costs are included.

TransCanada anticipates that some producers who execute the Topgas Two Agreement will either waive their right to receive the payment which Topgas Two is obligated to make thereunder, or repay such monies to Topgas Two in full at a later date. TransCanada also anticipates that some producers who waive or repay Topgas Two payments may not be in a position to also repay Topgas payments. Such a producer, while contributing to the

overall reduction of take or pay, continues to deliver at allocation levels and has agreed to a reduced take or pay floor and a revised max. day relief provision. TransCanada submits that it is equitable, where a producer waives or repays the Topgas Two payment in respect of certain contracts, that volumes of gas produced under such contracts not attract, as a component of the Alberta cost of service applicable to such volumes, any portion of the Topgas Two Interest Costs. Similarly, TransCanada submits that where a producer accepts Topgas Two payments under those contracts which are presently in Category D, it is equitable that volumes of gas produced under such contracts attract, as a component of the Alberta cost of service applicable to such volumes, a portion of the Topgas Two Interest Costs.

Accordingly, TransCanada proposes that the Alberta cost of service for those volumes of gas produced in each month under each of those contracts amended by a Topgas Two Agreement be assessed firstly, with reference to the application of Topgas Interest Costs to the monthly volumes produced under each such contract and secondly, with reference to the application of Topgas Two Interest Costs to those same volumes.

TransCanada proposes that there be created two alternative sub-categories with respect to Topgas Interest Costs and two alternative sub-categories with respect to Topgas Two Interest

Costs. The two alternative sub-categories in respect of Topgas Interest Costs are of the same structure as the present Categories B and D and may be described as follows:

1. <u>sub-category B_1</u> Contracts in this sub-category consist of those contracts amended by the Original Agreement which are not in sub-category D_1, and include, in particular, contracts in respect of which there remains Topgas Prepaid Gas outstanding. TransCanada proposes that volumes of gas produced under contracts in sub-category B_1, attract, as a component of the applicable Alberta cost of service, those Topgas Interest Costs remaining after deduction for Category A.

2. <u>sub-category D_1</u> Contracts in this sub-category consist of those contracts amended by the Original Agreement, in respect of which the producer has, after October 5, 1982, repaid all Topgas payments to Topgas. TransCanada proposes that volumes of gas produced under contracts in sub-category D_1 attract no portion of the Topgas Interest Costs as a component of the applicable Alberta cost of service.

The two alternative sub-categories in respect to Topgas Two Interest Costs are as follows:

1. <u>sub-category B_2</u> Contracts in this sub-category consist of those contracts amended by the Topgas Two Agreement, which are not in sub-category D_2, and include, in particular, those contracts in respect of which, after December 30, 1983, there is Topgas Two Prepaid Gas outstanding. TransCanada proposes that volumes of gas produced under contracts in sub-category B_2 attract, as a component of the applicable Alberta cost of service, those Topgas Two Interest Costs remaining after deduction for Category A.

2. <u>sub-category D_2</u> Contracts in this sub-category consist of those contracts amended by the Topgas Two Agreement, under which a producer has waived its right to receive the payment which Topgas Two is obligated to make under such Agreement, or under which a producer, after December 30, 1983 repays all Topgas Two payments. TransCanada proposes that volumes of gas produced under contracts in sub-category D_2 attract no portion of the Topgas Two Interest Costs, as a component of the Alberta cost of service applicable to such volumes.

TransCanada proposes that, in determining the Alberta cost of service for volumes of gas under any gas purchase contract amended by an Original Agreement, there be identified one of the alternative sub-categories B_1 and D_1 in respect of the application of Topgas Interest Costs and in determining the Alberta cost of service for volumes of gas under any gas purchase

contract amended by a Topgas Two Agreement, there be identified one of the alternative sub-categories B_2 and D_2, in respect of the application of Topgas Two Interest Costs. The result of such a procedure is that any contract which has been amended by both the Original Agreement and the Topgas Two Agreement will fall into one of four categories which are as follows:

TOPGAS INTEREST COST SUB-CATEGORY		TOPGAS TWO INTEREST COST SUB-CATEGORY	REVISED CATEGORY
B_1	plus	B_2	Category B_1B_2
B_1	plus	D_2	Category B_1D_2
D_1	plus	B_2	Category D_1B_2
D_1	plus	D_2	Category D_1D_2

TransCanada is actively seeking the participation in the Topgas Two program of all producers who are currently in the Topgas program. If, however, any producers in the Topgas program (having executed an Original Agreement) decline to participate in the Topgas Two Program, TransCanada may itself be required, on December 30, 1983, to make take or pay payments under the contracts of such producers in respect of the 1982/83 contract year. In determining the Alberta cost of service for volumes of gas produced under the contracts of such producers, TransCanada intends, under the foregoing proposal, that such contracts fall into sub-categories B_1, or D_1, according to whether or not the

producer has, after October 5, 1982, repaid all Topgas monies outstanding under such contracts. As the producer has declined to enter into the Topgas Two Program, the Alberta cost of service in respect of volumes of gas produced under such contracts would not be assessed by reference to sub-categories B_2 or D_2. At such time as TransCanada is able to assess the level of participation in the Topgas Two program and, thereby, to identify the extent and nature of the financing which may be necessary to meet any TransCanada 1982/83 take or pay obligation, TransCanada will make a further application to the Commission for an appropriate inclusion of associated interest costs in TransCanada's Alberta cost of service for such contracts. TransCanada anticipates that there may be proposed a further sub-category or sub-categories in respect of interest costs on 1982/83 TransCanada take or pay, if any, which would be added to the monthly assessment for Topgas Interest Costs under sub-categories B_1 or D_1 in order to determine the total monthly interest cost component for each such contract.

Category A

Category A presently includes the TransCanada solution gas contracts and the TransCanada 100% load factor contracts, both of which are non-allocable. Such contracts do not give rise to take or pay obligations and, accordingly, no payments were made by Topgas under the Topgas program in respect of such contracts. Being non-allocable, these contracts are produced at full contract capability and, as a

result, enjoy the benefit of a disproportionate share of the TransCanada market. In Determination 82-14, the Commission determined that Category A contracts should bear a portion of the Topgas Interest Costs as well as a share of TransCanada's interest costs for take or pay monies advanced on contracts which were not included in the Topgas program ("Category E interest costs").

TransCanada submits that it is equitable that volumes of gas produced under Category A contracts continue to attract a proportionate share of Topgas Interest Costs and Category E interest costs and, after December 30, 1983 attract a proportionate share of the Topgas Two Interest Costs.

TransCanada proposes that Category A of TransCanada's Alberta cost of service be revised such that volumes of gas produced under those contracts which are included in Category A, attract interest costs in a particular month to be calculated as the sum of:

(a) the Topgas Interest Costs and Category E interest costs for the particular month, multiplied by a fraction, the numerator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A contracts, and the denominator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A, sub-category B_1 and Category E contracts, plus

(b) the Topgas Two Interest Costs for the particular month multiplied by a fraction, the numerator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A contracts, and the denominator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A and sub-category B_2 contracts.

Category E

TransCanada proposes that Category E remain as defined in Determination 82-14. TransCanada will be required to make take or pay payments for the 1982/83 contract year under those contracts presently in Category E, and will make an application to the Commission in respect of those payments in due course.

IV Conclusion

TransCanada respectfully requests that the Commission amend Determination 82-14 (TCP) such that:

(i) Category A be revised in the manner described above in order that volumes of gas produced under Category A contracts attract a portion of the Topgas Two Interest Costs; and

(ii) Categories B and D be replaced by the sub-categories and combinations thereof, as described above, in order that volumes of gas produced

under those contracts which are amended by an Original Agreement be assessed interest costs under the Topgas program according to whether or not a producer has, after October 5, 1982, repaid all Topgas monies outstanding under any particular such contracts and in order that volumes of gas produced under those contracts which are amended by a Topgas Two Agreement be assessed interest costs under the Topgas Two program according to whether or not a producer has in respect of a particular contract, waived the payment which Topgas Two is required to make thereunder or after December 30, 1983, has repaid such payment to Topgas Two.

Dated at the City of Calgary, in the Province of Alberta, this 17th day of November 1983.

All of which is respectfully submitted,

TransCanada PipeLines Limited,

Per: ______________________

E.W.H. Mallabone

Manager, Legal

Communications related to
this Application should
be directed to:
Mr. E.W.H. Mallabone
Manager, Legal
TransCanada PipeLines Limited
TransCanada PipeLines Tower
530 Eighth Avenue S.W.
P.O. Box 500
Station M
Calgary, Alberta
T2P 3V6

EXHIBIT "A"

TransCanada PipeLines
TRANSCANADA PIPELINES TOWER 530 EIGHTH AVENUE S.W.
P.O. BOX 500 STATION M CALGARY CANADA T2P 3V6
(403) 269-5611

November 15, 1983

TO ALL PRODUCERS

Over the past five years the Canadian natural gas industry has been operating in an environment of flat to declining markets, regulated natural gas prices and an increasing supply capability. These factors have already resulted in modifications to gas purchase contracts between producers and buyers, primarily in relation to rates of take, operational practices and the payment for gas not taken. In the case of TransCanada and its producers, a number of modifications in these areas have been introduced since 1978, the most significant being the implementation of the Topgas program.

When the Topgas program was introduced in March 1982 there was a general belief that setting a take or pay level of 60% would essentially eliminate future take or pay payments. However, the unprecedented market decline experienced during the contract year which ended October 31, 1983 resulted in TransCanada's take level for that contract year falling to 47%. This level was 180 Bcf less than the 60% take or pay level provided for in the Topgas Agreement. The reasons for the market decline and the projected near term situation are reviewed in the attached "Market-Supply Update".

Our United States markets, in particular, have been at significantly low levels during the past year. However, the movement during 1983 towards more market responsive pricing, together with the proposed modification of TransCanada's export contracts by introducing take <u>and</u> pay provisions, are expected to substantially increase TransCanada's export sales in 1983/84. In accordance with our present practice, we will continue to credit interest received from our U.S. customers relating to prior years' take or pay to TransCanada's Alberta Cost of Service.

As shown in the "Market-Supply Update", TransCanada anticipates that the trend toward market improvement evidenced in the last three months of the 1982/83 contract year will continue. However, the take under the gas purchase contracts is expected to continue at significantly lower levels than forecast at the time the Topgas program was introduced and such levels could result in further take or pay.

Many producers and government officials share TransCanada's concern with the growing impact of take or pay carrying charges on field prices and

have suggested that, as the industry moves through the transition to a more market oriented pricing structure, there be a short moratorium on further payments for gas not taken.

TransCanada recognizes its obligation under the Topgas program and is also aware that the cash requirements of certain producers are such that they are not able to forego the 1982/83 take or pay payment. TransCanada has determined that a Topgas type arrangement offers the most cost effective method of attracting the capital required to make such payment. In this respect, the managing banks of Topgas have agreed to use their best efforts to form a new consortium to provide the funds required. A new company, Topgas Two Inc., is being incorporated as the financing vehicle. The financing of Topgas Two is conditional upon TransCanada obtaining sufficient producer acceptance of the modifications to the existing Topgas program and receiving a satisfactory determination from the Alberta Petroleum Marketing Commission.

TransCanada along with some producers and government officials believes the industry may be equally well served if producers waive take or pay payments for the 1982/83 contract year. In this regard, TransCanada will apply to the A.P.M.C. requesting a separate category of Alberta Cost of Service for those producers executing such a waiver.

Only three modifications to the existing Topgas program are proposed. These modifications, which relate to the take or pay level, max. day relief, and the recovery of prepaid gas, are contained in the enclosed agreement (referred to as the Topgas Two Producer Agreement). For convenience of reference the Topgas Two Producer Agreement consolidates the provisions of both the Topgas and Topgas Two programs and italicizes in bold print any of the text which varies from the original Topgas agreement. The three proposed modifications are reviewed below.

TAKE OR PAY LEVEL

For the 1983/84 contract year the take or pay floor level will be set at 50% of 1981/82 annual obligation. The existing Topgas Agreement sets this level at 60%. The amending agreement provides for the floor level to move between 50% and 60% in future years depending on actual take levels in the immediately preceding two years.

MAX. DAY RELIEF

The max. day relief provision will be calculated in accordance with the existing formula in the Topgas Agreement except that in the 1983/84 contract year the relief level will be set at 65% and in any future contract year the minimum relief level would be 75%. The reasons for this amendment are reviewed in the "Market-Supply Update" attachment.

RECOVERY OF TAKE OR PAY

The recovery provisions for all prepaid gas outstanding are amended to provide for recoveries over the first five months of the contract year rather than the present four months. Recovery would still commence with the month of November 1984. This modification spreads the recovery over a longer period in each year and its affect will be particularly noticeable to those producers who waive the 1982/83 payments.

To implement the Topgas Two program, TransCanada requests all producers to execute each of the four copies of the enclosed Agreement and to return all copies to TransCanada not later than December 15, 1983. The three modifications referred to above will apply to all producers, and therefore those producers intending to waive payment of the 1982/83 take or pay are requested to execute a waiver in the form attached and to return it to TransCanada together with the executed Topgas Two Producer Agreements. Those producers who do not execute such a waiver will receive payment on December 30, 1983.

TransCanada appreciates the continued cooperation and support of its producers in addressing these matters. We will be contacting you in the near future through a follow-up program to discuss any areas that require clarification.

Yours very truly

C.K. Orr

C.K. Orr
Senior Vice President
Alberta Division

WAIVER OF PAYMENT

TO: TransCanada PipeLines Limited

AND TO: Topgas Holdings Limited

AND TO: Topgas Two Inc.

RE: TOPGAS TWO PRODUCER AGREEMENT

Reference is made to the agreement (the "Topgas Two Producer Agreement"), dated November 14, 1983 between the undersigned as Seller, TransCanada PipeLines Limited ("TransCanada"), Topgas Holdings Limited, and Topgas Two Inc. ("Topgas Two").

Seller hereby waives its right to receive the payments required to be made to Seller or to the agent for Seller under paragraph 2A of the Topgas Two Producer Agreement in respect of the following Seller's Gas Purchase Contracts.

Date of Contract	Field

Seller acknowledges that its waiver contained herein shall only be applicable to those of the above Contracts in respect of which all of the sellers of gas who are parties thereto have executed waivers substantially similar to this waiver. Except as herein provided, the terms of the Topgas Two Producer Agreement are hereby confirmed and Seller agrees to be bound by the terms thereof in respect of all Seller's Gas Purchase Contracts.

DATED THE day of , 1983.

Seller:____________________

By:____________________

By:____________________ c/s

DETERMINATION 82-14 (TCP)
ALBERTA COST OF SERVICE
NATURAL GAS PRICING AGREEMENT ACT

APPLICATION

By separate applications dated October 22, 1982, TransCanada PipeLines Limited (TransCanada) requests Commission approval to expand the TransCanada's multi-tiered Alberta cost of service as approved by Commission Determination 82-10 (TCP).

The following are categories of Alberta cost of service as approved by Commission Determination 82-10 (TCP) and as expanded by TransCanada in its applications dated October 22, 1982.

Category A:

By application dated July 30, 1982 and as quoted in part in Determination 82-10 (TCP):

> "This category consists of solution gas contracts, wherein gas production is incidental to oil production, and must be taken by TransCanada to the full extent of the producer's capacity to deliver in order to satisfy conservation requirements. Producers delivering gas under solution gas contracts maintain a considerable advantage over producers delivering gas under other categories. Rather than delivering to TransCanada volumes of gas prorated according to available markets under allocation, they deliver to TransCanada all gas produced. As all solution gas flows to available markets, such gas has the effect of reducing the size of that portion of TransCanada's annual market which is available for allocation among the producers who have agreed to allocation. Thus, a substantial benefit is gained under solution gas contracts at the expense of contracts within allocation. TransCanada submits that it is equitable that volumes of gas produced under Category A contracts attract a proportionate share of the Topgas costs.
>
> TransCanada proposes that such share shall be calculated each month as that proportion of the monthly Topgas costs which the monthly volumes of gas delivered under Category A contracts are of the total monthly volumes of gas delivered under Category A, B, and C contracts."

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As expanded by TransCanada in its application dated October 22, 1982:

"TransCanada has entered into 100% load factor contracts wherein it is obligated to take 100% of the natural gas which producers are able to deliver under such contracts. TransCanada submits that such contracts are not properly subject to the allocation principle because, though it is physically possible to reduce deliveries and allocate these contracts, so long as the share of the market allocated to that contract is less than the TransCanada obligation to take gas, it is not possible to allocate the market to such contracts when the allocated share of the market is greater than TransCanada's obligation to take gas under the contract. This problem would arise as TransCanada's market requirements increase. The Producer under such a contract would be subject to the initial reduced deliveries under allocation without later receiving the compensating benefits of TransCanada's increasing markets.

Because the 100% load factor contracts are not allocable, TransCanada will continue during the Topgas Program to take deliveries of gas under these contracts at 100% of its contractual obligation. Producers delivering gas under 100% load factor contracts maintain an advantage over Producers delivering gas under allocable gas purchase contracts because, rather than delivering to TransCanada volumes of gas prorated according to available markets under allocation, they deliver to TransCanada all gas produced. Such full production has the effect of reducing the size of that portion of TransCanada's annual market which is available for allocation to the allocable contracts. Thus, a substantial benefit is gained under 100% load factor contracts at the expense of those contracts within allocation."

By letter dated November 2, 1982, TransCanada proposes to treat Category A of its multi-tiered Alberta cost of service in the following manner:

"TransCanada would propose that the costs to be included under Category A of TransCanada's multi-tiered Alberta cost of service consist of the proportion which the total monthly volumes of gas delivered under Category A contracts measured on a heat content basis (GJ) is of the total monthly volumes of gas delivered under Categories A, B, C and E measured on a heat content basis (GJ), and then applied to the monthly interest costs accruing on all outstanding prepayments (advanced both by Topgas and TransCanada).

.../3

The recovery of such interest costs through Category A would reduce the monthly interest costs included in Categories B, C and E, according to the proportions which the prepayments outstanding at the beginning of each month in each of Categories B, C and E are of the total prepayments outstanding under Categories B, C and E.

TransCanada has concluded that such treatment of Category A represents the most equitable method of spreading the market advantage accorded to Category A contracts to Categories B, C and E."

Category B:

By application dated July 30, 1982 and as quoted in part in Determination 82-10 (TCP).

"Contracts in this category consists of those which are amended by the Topgas program, where the producers have executed the Topgas Agreement only. The producers with respect to which these contracts apply will receive payment for the outstanding take or pay gas as of December 31, 1981, for TransCanada's 1981/82 take or pay obligation without reduction under the Allocation Agreement, and for additional volumes arising under the Allocation Agreement during the 1980/81 contract year. Such producers will therefore receive a net amount which will assure payment for the 1980/81 and 1981/82 contract years at 100% of TransCanada's obligation under the gas purchase contracts (i.e. without modification under the Allocation Agreement).

TransCanada submits that gas volumes delivered to TransCanada under Category B contracts should attract, as a component of the Alberta cost of service for those volumes, a proportionate share of Topgas costs. TransCanada proposes that such share be calculated each month as that proportion of the remainder of the monthly Topgas costs, after deduction for Category A contracts, which the monies paid to producers by Topgas in respect of Category B contracts, outstanding at the beginning of the month, are of the monies paid to producers by Topgas in respect of Category B and C contracts, outstanding at the beginning of the month."

.../4

Category C:

By application dated July 30, 1982 and as quoted in part in Determination 82-10 (TCP).

> "Contracts in this category consist of those which are amended by the Topgas program where producers have executed the Option Agreement. Topgas will make no payments on these contracts for additional volumes. Such producers will therefore receive a net amount which will assure payment for the 1981/82 contract years at 80% of TransCanada's obligation under these gas purchase contracts (i.e. as modified by the Allocation Agreement).
>
> TransCanada submits that volumes of gas arising under Category C contracts should properly attract, as a component of the monthly Alberta cost of service for these volumes, a proportionate share of Topgas costs, but at a lesser rate than Category B contracts in recognition of the fact that no payments for additional volumes are made under Category C contracts.
>
> TransCanada proposes that such share be calculated each month as that proportion of the remainder of the monthly Topgas costs, after deduction for Category A contracts, which the monies paid to producers by Topgas in respect of Category C contracts, outstanding at the beginning of the month, are of the monies paid to producers by Topgas in respect of Category B and C contracts, outstanding at the beginning of the month."

Category D:

By application dated July 30, 1982 and as quoted in part in Determination 82-10 (TCP):

> "Contracts under this category consist of those which are amended by the Topgas Agreement or the Option Agreement in respect of which the producers have returned to Topgas by October 31, 1982 all monies paid by Topgas and have waived the right of further payments from Topgas under those contracts. Producers holding Category D contracts have agreed that volumes of gas available for delivery under their contracts will be equitably allocated. TransCanada submits that it is equitable that volumes of gas delivered under such contracts do not attract, as part of their Alberta cost of service, any portion of the Topgas costs."

As expanded by TransCanada in its application dated October 22, 1982:

"1. In the course of negotiations with certain producers, TransCanada and Topgas agreed that, during the period between October 31, 1982 and December 31, 1982, producers could return all monies previously advanced under the Topgas Program in respect of a particular contract and, upon proper notice, could waive the right of further payment from Topgas under those contracts. Additionally, TransCanada and Topgas agreed that, upon proper notice, and at any time after December 30, 1982, a producer could return all monies advanced by Topgas in respect of a particular contract which are then outstanding. In either case, there would cease to be outstanding Prepaid Gas in respect of the particular contract. As a result of the "Most Favoured Nations" provision in the Topgas Agreement TransCanada will offer this option of early repayment to all producers. TransCanada submits that if and when a producer repays to Topgas all monies advanced by Topgas in respect of a particular contract, such contract should cease to bear any portion of Topgas interest costs, and should thereafter be included in Category D for the purpose of calculating its associated Alberta cost of service.

2. Under the Topgas Agreement, a portion of gas sold in a particular contract year under a contract which is equal to a specified percentage of the Prepaid Gas outstanding on December 31, 1982 under that contract is deemed to be return of that Prepaid Gas. During negotiations with certain producers, TransCanada and Topgas Holdings Limited ("Topgas") agreed that a producer could request that, for specified contract years, a percentage of the Prepaid Gas outstanding at December 31, 1982, in respect of a particular contract, which is greater than the percentage specified in the Topgas Agreement, would be deemed as return of Prepaid Gas under that contract. Thus, Prepaid Gas under that contract would be retired earlier than the Prepaid Gas outstanding on those contracts where the return of Prepaid Gas proceeded at the rate specified in the Topgas Agreement. As a result of the "Most Favoured Nations" provision in the Topgas Agreement, TransCanada will offer this option of accelerated return of Prepaid Gas to all producers.

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TransCanada submits that where a producer has allowed such accelerated recovery of the Prepaid Gas outstanding under a particular contract, it is equitable that, from such time as that Prepaid Gas is fully recovered, that contract should cease to bear Topgas interest costs and should thereafter be included in Category D for the purpose of calculating its associated Alberta cost of service.

3. Certain contracts, amended by the Topgas Agreement, which will deliver an allocated share of TransCanada's available market, did not have associated take or pay monies outstanding as at the end of the 1980/81 contract year and will not have any monies payable by Topgas for the 1981/82 contract year. Such situations normally occur where TransCanada considered the recovery risk to be too great to allow the advance of take or pay monies. Though such contracts are included in the Topgas Program, there arises no obligation for Topgas to advance monies. TransCanada submits that it is equitable that such contracts not bear a portion of Topgas interest costs and that, accordingly, it is appropriate that such contracts be included in Category D of TransCanada's multi-tiered Alberta cost of service.

4. Certain contracts between TransCanada and producers, dated before May 1, 1981, have not, as at the end of the 1981/82 contract year, commenced deliveries. Such contracts may commence delivery during the term of the Topgas Program, and would therefore be allocated to available markets. Because these contracts did not deliver prior to the end of the 1981/82 contract year, they would have no associated outstanding Prepaid Gas. TransCanada submits that it is equitable that such contracts not bear a portion of Topgas interest costs, at such time as deliveries are commenced, and that, accordingly, it is appropriate that such contracts be included in Category D of TransCanada's multi-tiered Alberta cost of service."

.../7

Category E:

This is a separate category proposed by TransCanada in its application dated October 22, 1982:

> "Because producers involved in contracts representing 1% or less of TransCanada's contracted supply by volume declined to enter into the Topgas Program, past take or pay advances made by TransCanada to those producers will continue to be financed by TransCanada. Those producers have thus elected not to participate in the allocation of TransCanada's available markets to TransCanada's available supply, thereby requiring TransCanada to take gas at minimum obligation levels, and raising the possibility that TransCanada will make future take or pay payments. Additionally, by not electing to participate in the Topgas Program, certain producers have prevented a number of multi-Seller contracts from being included in the Topgas program, notwithstanding that other Sellers under such contracts elected to participate in the Topgas Program."

> "As of October 5, 1982, the TransCanada take or pay advances outstanding total approximately 30 Million dollars. TransCanada submits that it is equitable that contracts outside of the Topgas Program, not included in another category of TransCanada's multi-tiered Alberta cost of service, should attract, as a component of their respective Alberta Cost of Service, interest costs to TransCanada of financing outstanding and future take or pay advances outside of the Topgas Program."

> "As a result of the Topgas refinancing program, TransCanada is able to refinance its remaining take or pay commitment at a 100% debt component."

> "TransCanada has secured debt financing of its remaining take or pay commitment at a rate of interest equal to the Prime Rate plus 7/8 of one percent. Such financing will remove the equity component from TranCanada's current take or pay financing, and would thereby reduce the unit cost of such financing to be included in TransCanada's Alberta cost of service."

.../8

By letter dated November 22, 1982, TransCanada further proposes to treat Category C as follows:

> "At the date of the first Closing of the Topgas program only four contracts qualified for Category C. Since the date of the first Closing several producers have executed the Option Agreement and there may still be some producers who will execute the Option Agreement prior to the second Closing (December 30, 1982) of the Topgas program, which will result in several additional contracts qualifying for Category C.
>
> TransCanada therefore requests that there be no allocation of contracts into Category C until January 1, 1983, at which time the total number of contracts which qualify for Category C will be known, and until such time TransCanada will, with the approval of the Commission, consider such contracts to be in Category B."

Topgas costs as defined by TransCanada with respect to its application dated July 30, 1982 and as approved by Commission Determination 82-10 (TCP):

> "... strictly to the interest costs payable by TransCanada to Topgas calculated on the outstanding principal of take or pay prepayments advanced to Producers."

DECISION

1. Category A shall include the gas purchase contracts as described above by TransCanada for that category.

   Carrying costs to be assessed to Category A shall consist of carrying costs allocated from Categories B, C and E.

   The portion of carrying costs allocated from each of Categories B, C and E in each month shall be the proportion that quantities of gas purchased in the month under contracts in Category A bears to the total quantities of gas purchased in the month under contracts in Categories A, B, C and E.

2. Category B shall include the gas purchase contracts as described above by TransCanada for that category with the addition of those contracts amended by the Topgas Agreement under which no take or pay advances were outstanding at the end of the 1980/81 contract year and under which no take or pay advances are payable at the end of the 1981/82 contract year.

   Carrying costs to be assessed to Category B shall consist of the carrying costs of take or pay advances under Category B contracts less the amount of carrying costs allocated from Category B to Category A as prescribed above.

3. Category C shall include the gas purchase contracts as described above by TransCanada for that category with the addition of those contracts amended by the Option Agreement under which no take or pay advances were outstanding at the end of the 1980/81 contract year and under which no take or pay advances are payable at the end of the 1981/82 contract year.

   Carrying costs to be assessed to Category C shall consist of the carrying costs of take or pay advances under Category C contracts less the amount allocated from Category C to Category A as prescribed above.

   Until January 1, 1983 gas purchase contracts included in Category C shall be included in Category B for the purposes of assessing carrying costs and determining Alberta cost of service.

.../10

4. Category D shall consist of the gas purchase contracts amended by the Topgas or Option Agreement under which producers have repaid take or pay advances in full after October 5, 1982.

   No take or pay carrying costs shall be assessed to Category D.

5. Category E shall include those gas purchase contracts as described above by TransCanada for that category.

   Carrying costs to be assessed to Category E shall consist of the carrying costs of separate and identifiable financing of take or pay advances under Category E contracts which are not covered by the Topgas program less the amount of carrying costs allocated from Category E to Category A as prescribed above.

6. Gas purchase contracts dated prior to May 1, 1981 under which deliveries have not commenced are denied inclusion in Category D and TransCanada shall apply for categorization of such contracts prior to commencement of gas deliveries. In addition, TransCanada shall apply for categorization of any other gas purchase contracts that do not fall within the categories defined above.

7. Other costs of the Topgas program apart from carrying costs shall be apportioned equally against all purchased gas quantities.

8. Determination 82-10 (TCP) is rescinded.

9. The above shall be effective October 1, 1982.

REASONS

The Commission considers it just and reasonable to require separate categories of Alberta cost of service in order to more fairly assess the costs of take or pay financing against the beneficiaries of take or pay payments. That will be the effect of Categories B, C, D and E to the extent practical without having a separate cost of service for each gas purchase contract. Category A contracts have had and will continue to have the substantial benefit of full deliveries regardless of market demand thereby directly contributing to the cost of take or pay obligations incurred under other gas purchase contracts. It is therefore appropriate to have Category A contracts continue to bear average take or pay financing costs.

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TransCanada has not sufficiently outlined the circumstances that would allow the Commission to conclude that contracts amended by the Topgas or Option Agreement which have no take or pay advances outstanding at the end of 1980/81 contract year and will have no advances payable at the end of 1981/82 should not bear take or pay carrying costs. For the same reason the Commission has denied TransCanada's application for inclusion in Category D of contracts dated prior to May 1, 1981 that have not commenced deliveries at the end of the 1981/82 contract year and therefore TransCanada shall, prior to commencement of deliveries under these contracts, submit a further application for categorization.

Category C contracts will be included in Category B until January 1, 1983 because it is not now known the number of contracts which will be amended by the Option Agreement by that date.

TransCanada has not in these applications addressed the issue of how take or pay payments received by TransCanada from its gas purchasers should affect take or pay carrying costs or should otherwise affect Alberta cost of service. However, the Commission will require TransCanada to report any such payments and may amend this Determination or other Determinations as it considers just and reasonable.

DATED THIS 23rd day of November, 1982 at Calgary, Alberta.

R. H. Purdy
Vice-Chairman

DETERMINATION 83-11 (TCP)
ALBERTA COST OF SERVICE
NATURAL GAS PRICING AGREEMENT ACT

APPLICATION

By application dated December 19, 1983 TransCanada PipeLines Limited (TransCanada) requests approval to include in its Alberta cost of service interest costs arising from interim financing by TransCanada for certain take or pay payments. The application is shown in Appendix "A" hereto.

DECISION

1. The application is granted to apply only to gas purchased during the delivery month of January, 1984.

2. TransCanada shall by January 15, 1984 apply to revise Determination 83-10 (TCP) in order to allocate the costs of the interim financing approved herein.

REASONS

The Commission considers that take or pay financing costs fall under the Natural Gas Pricing Agreement Amendment Regulation (A.R. 119/82) as being "...considered just and reasonable by the Commission in respect of costs incurred by a person, whether or not the person is the original buyer, to finance payments made to or for the benefit of a producer in respect of gas not taken by the original buyer under a gas sales contract for which the producer was nevertheless entitled to be paid."

TransCanada states in the application it will apply to the Commission in respect of the long term debt/equity financing which it proposes in respect of "TransCanada Prepaid Gas". The Commission expects such an application to be made prior to January 31, 1984 and for that reason has granted recovery of the costs of interim financing.

DATED THIS 21st day of December, 1983 at Calgary, Alberta.

D. C. Hetland
Secretary and Solicitor

PROVINCE OF ALBERTA
ALBERTA PETROLEUM MARKETING COMMISSION
APPLICATION TO INCLUDE TRANSCANADA TAKE OR PAY INTEREST COSTS IN TRANSCANADA'S ALBERTA COST OF SERVICE

I. Request

TransCanada PipeLines Limited ("TransCanada") requests that the Alberta Petroleum Marketing Commission (the "Commission") determine that, from December 30, 1983 and continuing until TransCanada is able to secure long term financing for TransCanada Prepaid Gas (as defined below) it shall be just and reasonable to include and there shall be included in TransCanada's monthly Alberta cost of service, TransCanada Interest Costs (as defined below) arising as a result of interim financing obtained by TransCanada at the rate of the Canadian Imperial Bank of Commerce prime rate rate plus 7/8%.

II. The Topgas Two Program

In October of 1982, TransCanada, Topgas Holdings Ltd. ("Topgas"), and TransCanada's participating producers entered into an agreement (the "Topgas Agreement") whereby Topgas made certain advances to the producers in respect of take or pay gas and the producers agreed to accept an equitable allocation of TransCanada's available gas market to the TransCanada gas supply available for allocation. Additionally, the producers agreed that TransCanada would not be required to take or

pay for gas above a level which is 60% of the 1981/82 minimum annual obligation under each particular contract.

As of December 16, 1983, TransCanada has confirmed the participation of producers representing approximately 70% by volume of its contracted supply in the Topgas Two Program with the result that, on December 30, 1983, Topgas Two will make the required payments to participating producers. Because numerous producers have waived the right to such payment, this amount is subject to reduction by an amount which, at the date of this application, TransCanada has not determined. TransCanada remains obligated to pay its non-participating producers take or pay payments incurred during the 1982/83 contract year.

Financing

TransCanada itself must make take or pay payments for TransCanada Prepaid Gas under those gas purchase contracts which are not in the Topgas Two Program. Because of the long term associated with the recovery of such TransCanada Prepaid Gas, TransCanada will be required to obtain long term financing in order to support the take or pay asset over such term.

Until December 16, 1983, TransCanada was not able to determine whether the Topgas Two program would proceed, nor was it able to determine the extent of producer non-participation and the need to finance

TransCanada Prepaid Gas. Accordingly, though TransCanada will make payments for TransCanada Prepaid Gas on December 30, 1983,long term financing arrangements cannot be made by that time and such payments must initially be financed on an interim basis, utilizing bank loans.

In early 1984, TransCanada will apply to the Commission in respect of the long term debt/equity financing which it proposes in respect of TransCanada Prepaid Gas. TransCanada expects that such a plan would be implemented after TransCanada has received its audited financial statements for the 1983/84 calendar year.

Because of the long term associated with the recovery of TransCanada Prepaid Gas under the Topgas Agreement, TransCanada is concerned that some contracts may not have the capacity to deliver TransCanada Prepaid Gas unless, through the provisions of paragraphs 19 and 20 of the Topgas Agreement, the recovery of such Gas is substantially accelerated. Where such a possibility is apparent, TransCanada may on December 30 withhold payments due under certain contracts pending a review and analysis of the matter with the producer under such contracts. If, as a result of a subsequent arrangement with a producer, TransCanada pays monies withheld to a producer, TransCanada will pay interest to such producer on such monies at Prime plus 7/8% from December 30, 1983 to the date of such payment. If any of the monies withheld are not paid to the producer, TransCanada will credit interest thereon at the rate of Prime plus 7/8% for the applicable period to TransCanada's Alberta cost of service.

IV. Conclusion

TransCanada respectfully requests that the Commission determine that, from December 30, 1983 and until TransCanada has implemented a permanent financing program in respect of payments made for TransCanada Prepaid Gas, it shall be just and reasonable to include and there shall be included in TransCanada's Alberta cost of service the interest costs to TransCanada arising from the interim financing by TransCanada of such payments at the rate of the Canadian Imperial Bank of Commerce prime rate plus 7/8 of one per cent.

Dated at the City of Calgary, in the Province of Alberta this 19th day of December, A.D. 1983.

All of which is respectfully submited,

TRANSCANADA PIPELINES LIMITED

Per: ______________________
E.W.H. Mallabone
Manager, Legal

Communications related
to this Application
should be directed to:

Mr. E.W.H. Mallabone
Manager, Legal
TransCanada PipeLines Limited
TransCanada PipeLines Tower
530 - 8th Avenue S.W.
P.O. Box 500
Calgary, Alberta
T2P 3V6

PETROLEUM MARKETING COMMISSION

403/262-8808
Telex: 03-821978
1900, 250 - 6th Avenue S.W.
Calgary, Alberta, Canada
T2P 3H7

January 31, 1984

INFORMATION BULLETIN RE ALBERTA COST OF SERVICE

The Alberta Cost of Service Information Bulletin for the month of December, 1983 is attached.

The Information Bulletin consists of:

1. Copies of any special Orders or Determinations issued by the Commission during the month with respect to Alberta Cost of Service, and notice of any Statements of Objection which have been received during the month; and

2. Alberta Cost of Service Determinations for the month.

In the case of gas intended to be removed from Alberta, the cost of service determined under Section 11(1), 15(3)(a) and 15(5)(b)(i) of the Natural Gas Pricing Agreement Act for each month is based on estimated figures for that month, adjusted to allow for differences between the estimated and actual figures for the previous month.

In the case of gas intended for consumption within Alberta, the amount estimated as cost of service under Sections 11(2)(a)(ii) and 15(3)(b)(i) of the Act were made under the Commission's general directive for the Alberta cost of service.

All determinations are on gross or higher heating value on a dry basis at 15°C and an absolute pressure of 101.325 kPa (kilopascal).

Yours very truly,

ALBERTA PETROLEUM MARKETING COMMISSION

R D Hall

R. D. Hall
Vice-Chairman

Attachment

INFORMATION BULLETIN
ALBERTA COST OF SERVICE DETERMINATION
PURSUANT TO THE NATURAL GAS PRICING AGREEMENT ACT
MONTH OF DECEMBER, 1983

Section 15(3)(a)	Cents Per Gigajoule (GJ)*
Alberta and Southern Gas Co. Ltd.	
- Category A	30.115
- Category B	23.515
- Category E	24.187
Canadian Montana Pipe Line Company	98.596
Canadian Montana Gas Company Limited	98.588
Consolidated Natural Gas Limited	34.717
ICG Resources Ltd.	215.389
Many Islands Pipe Line (Canada) Limited	
- Purchased Gas	34.378
- North Sibbald (Agent)	2.956
- Saddle Lake	29.453
- Esther	12.936
Pan-Alberta Gas Ltd.	
- Basic	23.642
- Delivery Points - Bear River	25.590
- Blue Jay	45.377
- Chinchaga North	34.464
- Heart River	26.011
- McLennen	26.033
Progas Limited	20.705
Sulpetro Limited	20.755
TransCanada PipeLines Limited	
- Average(1)	38.663
- Category A	38.879
- Category B1B2	39.383
- Category B1B3	37.778
- Category B1D2	37.550
- Category D1B2	22.366
- Category D1B3	20.676
- Category D1D2	20.472
- Category E	26.496
Westcoast Transmission Company	
- Husky Oil Ltd.	18.304
- Petrogas Processing Ltd. et al	23.048
Westcoast Transmission Company (Alberta) Limited	
- North	23.175
- Triassic E	.474

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Section 15(3)(b)	33.000

Notes

* Calculated on a gross and dry heating value basis at 101.325 kpa (kilopascal) and 15^{o}C.

Notice

The price adjustment for gas is $0.55/GJ
The Alberta Border Price is $2.633 66/GJ

(1) For purposes of sales within Alberta

DETERMINATION 84-01 (TCP)
ALBERTA COST OF SERVICE
NATURAL GAS PRICING AGREEMENT ACT

APPLICATION

By application dated January 10, 1984, and amended by the letter of January 19, 1984, TransCanada PipeLines Limited ("TransCanada") requests that the Commission revise and amend its Determination 83-10 (TCP) ("Determination 83-10") such that, commencing on December 30, 1983 and continuing until all TransCanada Prepaid Gas is recovered, volumes of gas produced under contracts in Category A of TransCanada's Alberta cost of service attract, as a component of the Alberta cost of service for such volumes, a portion of the TransCanada Interest Costs.

TransCanada further requests that the Commission revise and amend Determination 83-10 such that, commencing on December 30, 1983 and continuing until all TransCanada Prepaid Gas is recovered, volumes of gas produced under any contract which is amended by a Topgas Agreement but not amended by a Topgas Two Agreement attract, as a component of the Alberta cost of service for such volumes TransCanada Interest Costs remaining, after deduction for Category A contracts.

The application as amended is attached as "Appendix A" and Determination 83-10 (TCP) is attached as "Appendix B" without appendices.

DECISION

The application is granted.

REASONS

The new categories to be implemented are created upon the same principles as followed in Determination 83-10 (TCP).

DATED THIS 20th day of January, 1984 at Calgary, Alberta.

D. C. Hetland
Secretary and Solicitor

PROVINCE OF ALBERTA

ALBERTA PETROLEUM MARKETING COMMISSION

APPLICATION TO AMEND TRANSCANADA'S

MULTI-TIERED ALBERTA COST OF SERVICE

I. Request

TransCanada PipeLines Limited ("TransCanada") requests that the Alberta Petroleum Marketing Commission (the "Commission") revise and amend its Determination 83-10 (TCP) ("Determination 83-10") such that, commencing on December 30, 1983 and continuing until all TransCanada Prepaid Gas (as defined below) is recovered, volumes of gas produced under contracts in Category A of TransCanada's Alberta cost of service attract, as a component of the Alberta cost of service for such volumes, a portion of the TransCanada Interest Costs (as defined below).

TransCanada further requests that the Commission revise and amend Determination 83-10 such that, commencing on December 30, 1983 and continuing until all TransCanada Prepaid Gas is recovered, volumes of gas produced under any contract which is amended by a Topgas Agreement (as defined below) but not amended by a Topgas Two Agreement (as defined below) attract, as a component of the Alberta cost of service for such volumes TransCanada Interest Costs remaining, after deduction for Category A contracts.

II. The Topgas Two Program

By an agreement dated May 20, 1982 (the "Topgas Agreement"), TransCanada, Topgas Holdings Ltd. ("Topgas"), and TransCanada's participating producers agreed, inter alia, that Topgas would make certain advances to the pro-

ducers in respect of take or pay gas and that TransCanada would equitably allocate its available gas market to its gas supply available for allocation. Additionally, it was agreed that TransCanada would not be required to pay for gas not taken above a level which is 60% of the 1981/82 minimum annual obligation under each particular contract.

In November of 1983, TransCanada proposed certain amendments to the Topgas Agreement by a form of agreement (the "Topgas Two Agreement") a copy of which was supplied to the Commission in TransCanada's Alberta cost of service application of November 16, 1983. The Topgas Two Agreement set forth a program (the "Topgas Two Program") whereby TransCanada's 1982/83 take or pay obligation would be discharged by Topgas Two Inc. ("Topgas Two") and whereby, among other things, each participating producer agreed to a further reduction of TransCanada's take or pay obligation level.

In its application dated November 17, 1983 (the "November 17 application"), TransCanada requested that the Commission amend and revise TransCanada's multi-tiered Alberta cost of service (as originally established by Determination 82-14 (TCP)) according to the terms set out therein. TransCanada's application was granted by the Commission in Determination 83-10 (TCP). On December 19, 1983, TransCanada applied to the Commission to include the interest costs of financing take or pay payments to be made in respect of gas produced under those contracts which were excluded from the Topgas Two Program by reason that one or more of the producers who were a party to such contracts declined to execute the Topgas Two Agreement.

Such contracts, as amended by the Topgas Agreement but unamended by the Topgas Two Agreement, require that TransCanada itself make take or pay payments for gas not taken during the 1982/83 contract year (such gas being referred to as "TransCanada Prepaid Gas"). On December 21, 1983, the Commission granted this application in Determination 83-11 (TCP). On December 30, 1983, TransCanada paid $78,944,417.78 to producers in respect of 38,372,407 GJ of TransCanada Prepaid Gas. TransCanada, Topgas and Topgas Two have agreed to a Second Closing under the Topgas Two Program, to occur on March 1, 1984. Monies now outstanding in respect of TransCanada Prepaid Gas under those contracts which are included in the Second Closing will be returned to TransCanada and will be replaced by monies paid by Topgas Two in respect of Topgas Two Prepaid Gas (as defined in the Topgas Two Agreement). Thus, TransCanada anticipates that the quantum of monies presently outstanding for TransCanada Prepaid Gas will be reduced in the Second Closing of the Topgas Two program.

III. Modification of TransCanada's multi-tiered Alberta cost of service

With the implemention of the Topgas Two Program, there will be two distinct third party sources of financing for TransCanada's take or pay obligations. In Determination 83-10, the Commission has determined that the interest costs associated with these separate financings shall be treated separately within the Alberta cost of service. TransCanada submits that it is appropriate that the interest costs associated with the financing of TransCanada Prepaid Gas also be treated separately within the Alberta cost of service.

Sub-Category B_3

TransCanada proposes that the Commission amend Determination 83-10 by adding a further sub-category, to be designated sub-category B_3, which would be comprised of those gas purchase contracts amended by a Topgas Agreement but not amended by a Topgas Two Agreement. TransCanada proposes that volumes of gas produced under contracts in sub-category B_3 attract, as a component of the Alberta cost of service for such volumes, the TransCanada Interest Costs remaining after deduction for Category A (as proposed below). Such contracts would include, in particular, those contracts under which, after December 30, 1983, there is TransCanada Prepaid Gas outstanding.

TransCanada, therefore, proposes that in determining the Alberta cost of service for volumes of gas under any gas purchase contract amended by a Topgas Agreement but not a Topgas Two Agreement, there be identified one of the alternative sub-categories B_1 and D_1 (as described in Determination 83-10) in respect of the application of Topgas Interest Costs and that such volumes of gas be assessed TransCanada Interest Costs under the proposed sub-category B_3 of the Alberta cost of service. The result of such a procedure is that any contract which has been amended by the Topgas Agreement but not by a Topgas Two Agreement will fall into one of two categories which are as follows:

TOPGAS INTEREST COST SUB-CATEGORY		TRANSCANADA INTEREST COST SUB-CATEGORY	NEW CATEGORY
B_1	plus	B_3	Category B_1B_3
D_1	plus	B_3	Category D_1B_3

Category A

Determination 83-10 amended Category A as originally set out in Determination 82-14 by requiring that volumes of gas produced under Category A contracts attract a portion of the interest costs of Topgas Two in addition to the Topgas Interest Costs (as defined in the Topgas Agreement) and a portion of the interest costs arising in respect of the take or pay financing under contracts in Category E of TransCanada's Alberta cost of service ("Category E interest costs"). Category A contracts are non-allocable and represent a disproportionately large portion of the gas deliveries to TransCanada's markets. TransCanada submits that it is equitable that volumes of gas produced under contracts in Category A attract, as a component of the associated Alberta cost of service, a portion of the TransCanada Interest Costs.

Accordingly, TransCanada requests that the Commission amend Determination 83-10 such that from December 30, 1983, volumes of gas produced under contracts in Category A of TransCanada's Alberta cost of service attract

take or pay interest costs in a particular month to be calculated as the sum of:

(a) the Topgas Interest Costs and Category E interest costs for the particular month, multiplied by a fraction, the numerator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A contracts, and the denominator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A, sub-category B_1 and Category E contracts, plus

(b) The Topgas Two Interest Costs and the TransCanada Interest Costs for the particular month, multiplied by a fraction, the numerator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A contracts, and the denominator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A, sub-category B_2 and sub-category B_3 contracts.

IV. Conclusion

TransCanada respectfully requests that the Commission amend Determination 83-10 (TCP) such that:

(i) Category A be revised in the manner described above in order that vol-

umes of gas produced under Category A contracts attract a portion of the monthly TransCanada Interest Costs; and

(ii) there be created a new sub-category B_3 to include those contracts which are amended by the Topgas Agreement but not amended by the Topgas Two Agreement and under which volumes of gas produced under such contracts attract, as a component of the associated Alberta cost of service, the monthly TransCanada Interest Costs, after deduction for Category A.

Dated at the City of Calgary, in the Province of Alberta this 10th day of January, A.D. 1984.

All of which is respectfully submitted,

TRANSCANADA PIPELINES LIMITED

Per: ______________________

E.W.H. Mallabone
Manager, Legal

Communications related
to this Application
should be directed to:

Mr. E.W.H. Mallabone
Manager, Legal
TransCanada PipeLines Limited
TransCanada PipeLines Tower
530 8th Avenue S.W.
P.O. Box 500
Calgary, Alberta
T2P 3V6

TransCanada PipeLines
TRANSCANADA PIPELINES TOWER 530 EIGHTH AVENUE S.W.
P.O. BOX 500 STATION M CALGARY CANADA T2P 3V6
(403) 269 5611

January 19, 1984

Alberta Petroleum Marketing
Commission
1900 Bow Valley Square IV
250 - 6th Avenue S. W.
Calgary, Alberta
T2P 3H7

Attention: Mr. Don Hetland

Dear Sir:

Re: Application to amend TransCanada's Multi-tiered Alberta Cost of Service.

This will refer to the application to the Alberta Petroleum Marketing Commission (the "Commission") by TransCanada PipeLines Limited ("TransCanada") dated January 10, 1984, wherein TransCanada requested that the Commission amend TransCanada's multi-tiered Alberta cost of service in order to accommodate the interest costs associated with payments made to producers on December 30, 1983 by TransCanada in respect of gas not taken by TransCanada during the 1982/83 contract year ("TransCanada Prepaid Gas").

TransCanada has reviewed the structure of Category A which it proposed in the said application and has concluded that it is equitable that volumes of gas produced under Category A contracts should attract interest costs associated with the financing of the take or pay gas firstly, with respect to take or pay payments made before the end of the 1982/83 contract year and, secondly with respect of the 1982/83 contract year. Accordingly, TransCanada proposes that the formula for the calculation of interest costs under Category A contracts, which appears on p. 6 of the said application, be amended such that Category E interest costs associated with 1982/83 Category E prepayments be calculated together with all other interest costs accruing in respect of 1982/83 prepayments. Accordingly, TransCanada deletes sub-paragraph (a) and (b) which appears on p. 6 of the said application and substitutes the following therefor:

..../2

(a) The Topgas Interest Costs and Category E interest costs for the payments made up to the end of the 1981/82 contract year for the particular month, multiplied by a fraction, the numerator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A contracts, and the denominator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A, sub-category B_1 and Category E contracts, plus

(b) The Topgas Two Interest Costs and the TransCanada Interest Costs and the Category E interest costs made for the 1982/83 contract year for the particular month, multiplied by a fraction, the numerator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A contracts, and the denominator of which shall be the total volumes of gas, expressed in GJs, delivered during the particular month under Category A, sub-category B_2, sub-category B_3 and Category E contracts.

Yours very truly

E.W.H. Mallabone
Manager, Legal
EWHM:ed

Alberta PETROLEUM MARKETING COMMISSION

DETERMINATION 83-10 (TCP)
ALBERTA COST OF SERVICE
NATURAL GAS PRICING AGREEMENT ACT

APPLICATION

By application dated November 17, 1983 TransCanada PipeLines Limited (TransCanada) applies for a revised multi-tiered Alberta cost of service to accommodate a program referred to as "Topgas Two".

The application is attached as "Appendix A" and Determination 82-14 (TCP) is attached as "Appendix B".

DECISION

1. The application is granted.

2. Sub-category D_2 shall consist of gas purchase contracts amended by the Topgas Two Agreement under which producers actually entitled to take or pay payments have waived the payments or repaid the payments in full after December 30, 1983.

3. Costs of the Topgas Two program apart from interest costs shall be apportioned equally against all purchased gas quantities.

4. This determination shall have no force or effect until implementation of the "Topgas Two" program.

REASONS

The new categories to be implemented are created upon the same principles as followed in Determination 82-14 (TCP).

Sub-categories D_1 and D_2 are established for the limited purpose of inducing a further voluntary reduction in the amount of take or pay payments outstanding.

DATED THIS 9th day of December, 1983 at Calgary, Alberta.

D. C. Hetland
Secretary and Solicitor

DETERMINATION 84-02 (TCP)
ALBERTA COST OF SERVICE
NATURAL GAS PRICING AGREEMENT ACT

APPLICATION

By application dated January 13, 1984 TransCanada PipeLines Limited (TransCanada) requests approval to include in its Alberta cost of service interest costs arising from interim financing by TransCanada for take or pay payments to its Category E producers. The application is shown in Appendix "A" hereto.

DECISION

1. The application is granted.

2. TransCanada shall in December, 1984 and in December of each year thereafter, provide such information as may be required by the Commission to assess the continued necessity for TransCanada to maintain the take or pay payments and the continued prudency of contract management.

REASONS

The Commission considers that take or pay financing costs fall under the Natural Gas Pricing Agreement Amendment Regulation (A.R. 119/82) as being "...considered just and reasonable by the Commission in respect of costs incurred by a person, whether or not the person is the original buyer, to finance payments made to or for the benefit of a producer in respect of gas not taken by the original buyer under a gas sales contract for which the producer was nevertheless entitled to be paid."

TransCanada states in the application it will apply to the Commission in respect of the long term financing which it proposes in respect of prepaid gas incurred under Category E contracts. The Commission expects such an application to be made prior to January 31, 1984 and for that reason has granted recovery of the costs of interim financing.

In reviewing the circumstances giving rise to TransCanada's take or pay payments for the contract year ended October 31, 1983, the Commission was satisfied that the situation did not result from imprudent actions of TransCanada. The Commission recognizes that TransCanada has implemented the Topgas Two program in an effort to minimize its take or pay obligations.

DATED THIS 20th day of January, 1984 at Calgary, Alberta.

D. C. Hetland
Secretary and Solicitor

APPENDIX "A"

IN THE MATTER OF AN APPLICATION

by TransCanada PipeLines Limited to the

Alberta Petroleum Marketing Commission for inclusion

of TransCanada Take or Pay Interest Costs

in respect of Category E Contracts in

TransCanada's Category E Alberta Cost of Service

January 13, 1984

IN THE MATTER OF AN APPLICATION

by TransCanada PipeLines Limited to the

Alberta Petroleum Marketing Commission for inclusion

of TransCanada Take or Pay Interest Costs

in respect of Category E Contracts in

TransCanada's Category E Alberta Cost of Service

Request

TransCanada PipeLines Limited ("TransCanada") requests that the Alberta Petroleum Marketing Commission (the "Commission") determine that from December 30, 1983 and continuing until TransCanada is able to secure long term financing, volumes of gas produced under contracts in Category E of TransCanada's Alberta cost of service attract, as a component of the Alberta cost of service for such volumes, interest at a rate per annum equal to the Canadian Imperial Bank of Commerce prime rate plus 7/8 of 1% payable by TransCanada on monies borrowed for interim financing of payments made or to be made by TransCanada to or for the benefit of those producers with contracts within Category E.

TransCanada's Take or Pay Obligations Outside the Topgas Program

In its applications to the Commission dated June 18, 1982 and July 30, 1982, resulting in Commission Determinations 82-07 (TCP) and 82-14 (TCP), TransCanada detailed the Topgas program and TransCanada's proposal for a

multi-tiered Alberta cost of service to the Commission. The Commission established Category E in Determination 82-14 (TCP) to include those contracts not amended by the Topgas agreement by reason that one or more parties comprising Seller under such contracts elected not to participate in the Topgas program.

In its applications to the Commission dated November 16, 1983 and November 17, 1983, resulting in Commission Determinations 83-09 (TCP) and 83-10 (TCP), TransCanada detailed the Topgas Two program to the Commission. The Topgas Two program was not made available to those producers who elected not to participate in the Topgas program. Those producers, representing less than 1% of TransCanada's contracted supply by volume, had elected not to participate in the allocation of TransCanada's available markets to TransCanada's available supply, thereby requiring TransCanada to take gas during the 1982/83 contract year at the minimum obligation level and thus incurring take or pay obligations for gas available but not taken in respect of such Category E contracts.

In its Determination 83-04 (TCP) the Commission determined that the carrying costs for take or pay payments under Category E contracts in respect of the gas contract years ended October 31, 1982, 1981, 1980, 1979 and 1978 were appropriate for inclusion in that category.

<u>Prudency Relating to Take or Pay Obligations Incurred During the 1982/83 Contract Year</u>

As outlined in TransCanada's application to the Commission dated

November 16, 1983, TransCanada has experienced sales of natural gas during the 1982/83 contract year at the lowest annual level since 1973. This market decline has prevented TransCanada from taking gas under its allocable gas purchase contracts at the minimum take or pay level required by the Topgas Agreement and accordingly TransCanada feels that in order to afford equitable treatment to all sellers of gas, it was necessary during the 1982/83 contract year to nominate for proportionately reduced takes under the Category E contracts at a level commensurate with TransCanada's allocable gas contracts. As a result, TransCanada has incurred an obligation to pay its sellers of gas under the Category E contracts for Prepaid Gas with respect to the 1982/83 contract year.

As at December 31, 1983, TransCanada's take or pay situation in respect of Category E contracts is as follows:

TRANSCANADA TAKE OR PAY OUTSTANDING

CONTRACT YEAR ENDED OCT. 31	QUANTITY (10^3m^3)	(GJ)	AMOUNT ($)
1978	15 632.9	585 182	677 780.38
1979	16 784.8	628 294	800 176.40
1980	40 813.7	1 527 748	2 442 395.45
1981	17 476.2	654 171	856 414.51
1982	27 025.8	1 011 636	1 695 724.51
1983	55 333.8	2 071 266	4 537 936.67

TransCanada estimates the obligation in respect of gas not taken during the 1982/83 contract year with respect to its Category E contracts will be in the order of $4 537 936.67.

Proposed TransCanada Financing

Under Determination 82-14 (TCP) the Commission assessed carrying costs to Category E consisting of the carrying costs of separate and identifiable financing of take or pay advances under Category E contracts which are not covered by the Topgas program less the amount of carrying costs allocated from Category E to Category A.

TransCanada acknowledges that pursuant to Determination 82-14 (TCP) and 83-10 (TCP), a portion of the interest costs associated with volumes of gas arising under contracts within Category E will be recovered through TransCanada's Category A Alberta cost of service. TransCanada submits that this portion of the Category E interest costs be deducted from the total Category E interest costs that would otherwise be included.

TransCanada has secured financing on an interim basis of its take or pay commitments under its Category E contracts from December 30, 1983 until long term financing is obtained. This interim financing will be at a rate of interest equal to the Canadian Imperial Bank of Commerce prime rate plus 7/8 of 1%. TransCanada submits that it is equitable that volumes of gas arising under contracts within Category E attract, as a component of the

Alberta cost of service for such volumes, the interest costs associated with such interim financing.

In early 1984, TransCanada will apply to the Commission in respect of the long term financing which it proposes in respect of prepaid gas incurred under Category E contracts. TransCanada expects that such a plan would be applied for concurrently with its proposal for long term debt/equity financing in respect of TransCanada Prepaid Gas (as defined in TransCanada's Application to the Commission dated December 19, 1983) which will also be submitted in early 1984.

Conclusion

For the foregoing reasons, TransCanada respectfully requests that the Commission determine that it shall be just and reasonable to include and there shall be included in Category E of TransCanada's Alberta cost of service, interest at a rate per annum equal to the Canadian Imperial Bank of Commerce prime rate plus 7/8 of 1% payable by TransCanada on monies borrowed for interim financing of payments made or to be made by TransCanada to or for the benefit of those producers with contracts within Category E after deduction for those costs already included in TransCanada's Category A Alberta cost of service.

DATED at the City of Calgary, in the Province of Alberta, this 13th day of January, A.D. 1984.

All of which is respectfully submitted,

TRANSCANADA PIPELINES LIMITED

Per:

E. W. H. MALLABONE
Manager, Legal

Communications related to this
Application should be directed to:

Mr. E. W. H. Mallabone
Manager, Legal
TransCanada PipeLines Limited
530 - 8 Avenue S.W.
Calgary, Alberta
T2P 3V6